THE A.I.D. ECONOMIC POLICY REFORM PROGRAM IN CAMEROON

A.I.D. IMPACT EVALUATION REPORT NO. 78

by

Dianne Blane, Team Leader
(Agency for International Development)

Michael Fuchs-Carsch, Agricultural Economist
(Agency for International Development)

David Hess, Anthropologist
(Agency for International Development)

Jane Seifert, Banking Specialist
(Agency for International Development)

Joseph M. Lieberson, Policy Reform Evaluation Coordinator
Center for Development Information and Evaluation
U.S. Agency for International Development

February 1991

TABLE OF CONTENTS

TABLE OF CONTENTS (Cont.)

FOREWORD

The Agency for International Development/Center for Development Information and Evaluation (A.I.D./CDIE) has launched a series of policy reform impact evaluations to learn more about the effectiveness and developmental impact of A.I.D.'s policy reform programs. Six country studies have been completed in Central America and the Caribbean (Costa Rica, Jamaica, Honduras, the Dominican Republic, and Dominica and Grenada) and six in Africa (Cameroon, Mali, The Gambia, Senegal, Malawi, and Uganda).

The A.I.D.-supported Fertilizer Subsector Policy Reform Program in Cameroon began in late 1987 and is scheduled for completion in 1992. This evaluation of the reform program (based on fieldwork completed in May 1990) covers the 1988 to mid-1990 period. As such, the conclusions are formative; that is, they are based on program impacts to date.

The reforms in the fertilizer subsector support the Government of Cameroon's structural adjustment efforts, the latter focusing on reforms in trade, pricing, marketing, the banking sector, the civil service, and parastatals. The A.I.D.-supported reforms represent a three-pronged effort: liberalization of the system to import and distribute fertilizers, phased elimination of fertilizer subsidy payments, and, by the end of the program, privatization of the fertilizer marketing system. To date, the system has been liberalized, the fertilizer subsidy is being progressively reduced, and the private sector is participating in a system that may be characterized as quasi-market. These measures have thus far produced both positive and negative impacts.

However, Cameroon is in the midst of a serious recession. The fall in world market prices for its major exports, a lack of liquidity, and an overvalued currency have produced an economic crisis that has overshadowed and depressed all economic activity. It is therefore too early to conclude whether or not the privatization of the fertilizer marketing system--which should be competitive, sustainable, and subsidy free--can reach fruition.

John Eriksson
Associate Assistant Administrator
Center for Development Information and Evaluation
Bureau for Program and Policy Coordination
Agency for International Development
February 1991

SUMMARY

In 1987 the Agency for International Development (A.I.D.) authorized $20 million to support the Cameroon Fertilizer Subsector Reform Program (FSSRP). The FSSRP was designed for implementation over a 5-year period, from 1988 to 1992. This evaluation is therefore a "snap shot" of impacts about half-way into the program.

The objective of the FSSRP is to ensure the timely availability of fertilizers to export- and food-crop producers at the lowest possible cost to the Government of Cameroon and to small farmers. The program aims to reach this objective by establishing a competitive, sustainable, and subsidy-free private market for fertilizer importation, distribution, and financing.

The FSSRP has two major elements: economic liberalization and privatization. Economic liberalization encompasses actions necessary to eliminate the public monopoly of fertilizer import and distribution and to dismantle the institutional arrangements supporting this monopoly, including the phasing out of the fertilizer subsidy. Privatization involves replacing the public monopoly with a free-market system by the end of the program.

To date, the system for importing and distributing fertilizer has been liberalized and can now be described as "quasi-market," or on the way to privatization. By "quasi-market" the evaluation team means that, although privatization has begun, elements of state and donor involvement are still strong: (1) there is still a fertilizer subsidy (although it is being phased out), (2) lines of credit for importers and distributors are offered at preferential interest rates, (3) the Government of Cameroon is managing the program through an interministerial committee, and (4) the USAID Mission is intensively involved in implementing the program. Such involvement should be eliminated for true privatization to take place.

Between October 1988 and February 1989, 63,000 tons of fertilizer were imported by three private firms and distributed by four cooperatives. In 1989/1990, 64,171 tons of fertilizer were imported by two firms and distributed by five cooperatives and four private traders. Even with a major reform instituted, fertilizer tonnage was close to the 64,000 tons imported in 1987, before the start of the reform program.

The impact of liberalization has been beneficial and positive. Leakages (waste, corruption, and inefficiencies), common under the public monopoly, have been stopped now that the

public fertilizer monopoly has ended. Furthermore, the Government has reduced its subsidy bill, realizing cumulative budget savings of about $14 million over the past 2 years. And, most important, farmers have been shielded from undue price increases, even as the subsidy has been reduced because of efficiency gains in private fertilizer importation and distribution.

The evaluation team was not able to determine either the extent to which more modern business practices have been introduced or the effect of the program on distribution networks. In the latter case, fertilizer distribution has been handled by cooperatives in some situations and through existing or new networks of importers in other situations.

The program had a negative impact during its start-up period, when subsidized fertilizer did not reach the farmers in time for application on coffee trees and food crops. The delay was due to the fact that the Government and the USAID Mission were working on rules, procedures, and relationships among the participants, as well as overcoming a certain degree of Government bureaucratic resistance to the program.

The FSSRP’s sustainability will depend largely on the economic crisis facing Cameroon. The country is in the midst of a serious recession due to a fall in world market prices for its major exports (oil, cocoa, coffee, and cotton), a lack of liquidity, and an overvalued currency. Although progress has been made, the Government has yet to face some very hard policy decisions under its structural adjustment program. It must still bring its mounting budget deficit under control, raise revenues, and implement parastatal and banking reforms with greater effect. In short, lack of forward movement on the deficit will forestall resolution of the liquidity and financial crises. Continued unfavorable developments in these areas may jeopardize the FSSRP regardless of the program’s scale and manner of operation. And there is always the danger of the Government backsliding if prices of major export crops improve in world markets. However, there is also the flip side of this argument: the economic crisis may prove to be a positive force for change, preventing the Government from returning to deficit spending and central control.

Another threat to sustainability, directly related to the liquidity crisis, is the increasingly limited purchasing power in the rural areas. If farmers have less money to spend on fertilizer, the volume of fertilizer imports will decrease. Having earned little or no income from their coffee crop over the past 2 years, farmers are very rationally switching from coffee production to food crop production, reducing the demand for total fertilizer nutrients, especially nitrogen. Although food crop farmers are picking up some of the slack, their effective demand may not be sufficient to compensate for the decrease in fertilizer demand for coffee production.

Privatization of the system will rest on termination of the subsidy and the transfer of all responsibility and authority to private actors. It is hoped that, by the end of the FSSRP, the private sector will have sufficient experience and sufficient incentives to import and distribute fertilizer. Only at that point, too, will the system be sustainable.

The intellectual and technical capacity and drive of the USAID Mission, Government of Cameroon counterpart personnel, and the Cameroonian private sector participants have been a very positive internal factor for the implementation of the program. The A.I.D. managers have used an innovative analytical framework for conceptualizing their program approach. Annual reviews have also helped to solve the problems that inevitably cropped up as the quasi-market system evolved.

Of the lessons learned, the evaluation team highlights the following:

- Policy reform is a process that requires dialogue, networking, flexibility, and management intensity and expertise. Program managers must learn the delicate balancing act between intervening to make the policy reform start and stepping back to let the reform happen.

- Market forces may lead to shake-outs of some participants in policy reform. In the case of the FSSRP, some inefficient importers, distributors, and farmers will probably be forced out; however, the positive effects of these shake-outs will be in economies of scale and greater efficiency. The short-term negative effects may be felt in bankruptcies, loss of confidence in cooperatives, and unemployment.

- Reform of the input side of a productive sector (e.g., fertilizer) will be constrained and probably difficult to complete in the absence of reform in output marketing (e.g., coffee, cotton).

- USAID Missions should be creative in integrating their project and nonproject assistance.

The next 2½ years of FSSRP implementation will be critical. In the opinion of the evaluation team, attention should most importantly be placed on ensuring sustainability after 1992. To a large extent, however, sustainability of the fertilizer reform program will depend on the Government’s commitment to its structural adjustment effort.

PROJECT DATA SHEET

1. Country: Cameroon

2. Project Title: Fertilizer Subsector Reform Program (FSSRP)

3. Program Number: 631-K-601
   Project Number: 631-0063

4. Program/Project Implementation:

   a. Program/project authorization: September 1987
   b. Initial Obligation: September 1987
   c. Planned Final Obligation: FY 1991
   d. Final input delivery: 1992

5. Program/Project Completion (Final Disbursement): 1992

6. A.I.D. Program Funding: $17 million
   A.I.D. Project Funding: $ 3 million

7. Mode of Implementation:

   a. Program and Project Agreements between USAID/Cameroon and the Government of Cameroon, Ministry of Plan and Regional Development.

   b. Implemented by the Technical Supervisory Committee, an interministerial committee chaired by the Secretary General of the Ministry of Plan and Regional Development.

8. Evaluations:

   a. "First Year Assessment," Technical Report (Abt Associates, 1989)

   b. "Second Year Assessment," Technical Report (Abt Associates, in progress)

9. Responsible USAID Officials to Date:

   a. Mission Director: Jay P. Johnson
   b. Program Economist: Tham Truong

10. Detailed Financial Data:

a. Program Financial Plan:

Authorized:	$17.0 million
Obligated to Date:	$11.5 million
Disbursements to Date:	$10.0 million
First tranche	($ 6.0 million)
Second tranche	($ 1.5 million)
Third tranche	($ 2.5 million)

b. Project (Technical Assistance) Financial Plan ($000):

Inputs	Contribution 1988-1990	Contribution 1991-1992	Total
Program management	200	157	357
Program monitoring and evaluation	1,174	1,169	2,343
Information dissemination	40	44	84
Training	86	130	216
Total	1,500	1,500	3,000

GLOSSARY

A.I.D. - Agency for International Development

BEAC - Banque des Etats de l'Afrique Centrale

BCCC - Bank of Credit and Commerce, Cameroon

CDIE - Center for Development Information and Evaluation

FCFA - Franc de la Communauté Financière Africaine (US$1 = FCFA 277 in May 1990)

FSSRP - Fertilizer Subsector Reform Program

GDP - gross domestic product

IMF - International Monetary Fund

ONCPB - National Produce Marketing Board

TSC - Technical Supervisory Committee of the FSSRP

1. INTRODUCTION

Since the early 1980s, the Agency for International Development (A.I.D.) has relied increasingly on nonproject assistance for policy reform to help developing countries improve their economic performance. In 1987 A.I.D. authorized $20 million to support Cameroon's Fertilizer Subsector Reform Program (FSSRP) within the context of the A.I.D. African Economic Policy Reform Program. The FSSRP was to be implemented over a 5-year period, from 1988 to 1992. This evaluation is therefore a "snap shot" of impacts only half-way into program implementation.

The purposes of this evaluation, given that the program is only in mid-stream, are to assess implementation progress, to determine both the positive and negative impacts to date, to comment on the chances of program sustainability, to offer some lessons learned, and to help focus A.I.D. management attention on the complexity of implementing policy reform.

Our four-person evaluation team visited Cameroon in May 1990. We tried to touch base with a representative sample of the numerous actors involved in or affected by the program:

Government officials responsible for implementing the FSSRP, officers of the Central Bank and the program's fiduciary bank, officers of commercial banks, private importers of fertilizer, cooperatives (distributors), agricultural researchers and extension agents, staff of the World Bank and International Monetary Fund (IMF), USAID Mission officers, and, very important, men and women farmers.

The evaluation team conducted interviews in the capital, Yaounde, in Douala, which is the financial and commercial center of Cameroon, and in the West, North West, and Littoral Provinces (three of the seven provinces included in the program, accounting for 90-100 percent of the fertilizer tonnage imported in 1988 and 1989 under the FSSRP). The evaluation team also benefited greatly from articles, studies, reports, and briefing materials on the FSSRP and other general background documents.

The methodology that the team used in conducting the evaluation is discussed in Appendix A. It included many hours of constructive and intense debate with staff of the A.I.D. Mission concerning alternative approaches to creating the conditions for market liberalization and privatization. The major issues are the pace of privatization and the extent to which the Government and A.I.D. should manage the movement from government control to free markets. On the one hand the process could be uneven, slow, and costly if the private sector fails to take advantage of the new free market conditions. On the other hand, if A.I.D. and the Government over-manage the process a truly free market may never develop. There apparently is no single, easy answer. The Mission wishes to continue the debate on the FSSRP, and its response to our evaluation is included as Appendix D.

2. SETTING

Cameroon's period of rapid economic growth, spurred by oil discoveries in late 1977, came to a sudden halt in 1985/1986. World prices of the country's major exports--oil, cocoa, coffee, and cotton--dropped by more than 40 percent over 2 years, severely jolting the booming high-cost economy. By 1986/1987, gross domestic product (GDP) had dropped to 75 percent of its 1984/1985 level. The national budget, already strained by losses incurred by more than 150 public enterprises, increased its deficit from 3.3 percent of GDP in 1984/1985 to 11.8 percent in 1986/1987. Decreased revenues from the oil and the export-crop marketing parastatals completely dried up funds for public investments. Equally serious, the Government had to finance its budget deficit by not paying its debts to local suppliers, including export-crop farmers. Concurrently, the Government was unable to continue subsidy payments to money-losing parastatals so that their bank deposits declined, further deepening a precarious liquidity situation.

Because of the nature of the restrictions on Cameroon's monetary and exchange rate policies, as well as the low level of private deposits in its banking system, large budget deficits can easily translate into a liquidity crisis. In Cameroon, control over credit creation is the only monetary tool for managing domestic demand when the balance of payments is under strain. This makes for a fragile commercial banking system, especially when that system is burdened by defaults on outstanding loans and low interest rates that do not attract deposits. Most bank deposits have come from the Government, the social security fund, and, significantly, from the surpluses of the stabilization fund of the export-crop marketing board. Withdrawals by all of these sources, as occurred during the fiscal crisis of 1986/1987, caused the liquidity crisis.

The financial and liquidity crises have sent major shocks to the directly productive segments of the economy. These shocks have been most severe in the export-crop sector, especially coffee, where the Government's agricultural reform efforts have been most active and where the effects of these reforms have been most dramatic. Through a combination of price and nonprice measures the Government is shaking out inefficient coffee farmers to make its coffee exports more competitive in the international market at current and expected moderate to low international prices.

Among its price measures, the Government started to remove input subsidies, notably on imported chemical fertilizers in 1988. On the product side, in late 1989, the Government reduced purchase prices to coffee farmers by 52 percent to bring them in line with international prices. In addition, the Government is slow in settling its arrears owed to coffee farmers on deliveries made during the 1988 and 1989 growing seasons. The results of these measures are already evident in the countryside as many farmers are switching from coffee to food crop production.

Among the nonprice measures is the Government's plan to encourage coffee production in pure stands to significantly increase yields. Use of appropriate varieties, fertilizer, and other chemicals is planned. Given the weakness of the extension system, however, it is questionable whether these measures will have their intended effects.

To facilitate the switch from coffee, the Government is encouraging food crop production in major coffee growing areas of the West and North West Provinces by introducing improved food crop varieties, mainly maize; promoting better husbandry practices; and recommending appropriate fertilizer application rates. In addition, it is promoting food processing (maize mills and feed production), which, with recent liberalization of food exports to neighboring countries, will help to develop new market outlets.

The FSSRP, targeting Cameroon's subsidized fertilizer supply system, was initiated in 1988 as a first step in carrying out these reform efforts. It is against this backdrop that the FSSRP's impact, after slightly more than 2 years of operation, is assessed.

3. THE ROLE OF A.I.D.

3.1 The Cameroon Fertilizer Subsector Reform Program

In the mid-1980s, A.I.D. and the Government of Cameroon engaged in a policy dialogue on the reform of the public monopoly for the procurement and distribution of subsidized fertilizer. The dialogue was prompted by studies carried out by the International Fertilizer Development Center and the World Bank. In 1987, in light of the accelerating economic crisis, the Government decided that it could no longer afford the fertilizer subsidy associated with the public monopoly. In addition, the public monopoly of fertilizer import and distribution had become increasingly inefficient, resulting in higher-than-world-market prices for fertilizer imports and erratic and unreliable availability at the farm gate. The policy dialogue led to the design of the FSSRP, and in September 1987 A.I.D. authorized $20 million to support the program.

Dollar disbursements, totaling $11.5 million to date, are used for Government of Cameroon debt payments. The local currency equivalent capitalizes the FSSRP's revolving credit fund for fertilizer importation and distribution loans and covers the Government's monitoring cost. A complementary $3 million technical assistance project provides the USAID Mission with funding for FSSRP management/monitoring, annual assessments, mid-term evaluation, training, and information dissemination.

The goals of the FSSRP are to increase agricultural productivity, to raise small farmer income, to improve the efficiency of the major agricultural sector sources of foreign exchange earnings, and to improve food self-sufficiency in the face of Cameroon's 3.2 percent population growth rate. The objective of the program is to ensure the timely availability of fertilizers to export- and food-crop producers at the lowest possible costs to the Government and small farmers by establishing a private market for importing, distributing, and financing fertilizer in a way that is competitive, sustainable, and subsidy-free.

3.2 Elements of the FSSRP

The FSSRP contains two major elements: economic liberalization and privatization. Since 1987 the program has been the prime test case for liberalization and privatization as advocated by most donors, including the World Bank, through the Government's structural adjustment program, and the IMF.

Economic liberalization encompasses actions necessary to dismantle the public monopoly and its supporting institutional arrangements. These actions include cancellation of public procurement of fertilizer, clear pronouncement by the Government that it will completely privatize the import and distribution of subsidized fertilizer, and gradual elimination of the subsidy.

Privatization involves replacing the public monopoly with a system that is sustainable, competitive, and subsidy-free by the end of the program. Critical to establishing the new system are (1) financial incentives that are sufficiently attractive to induce sustained private sector participation and (2) promoting private entrepreneurial capacity. The FSSRP has established three financial incentives--a differentiated pricing structure, a revolving credit fund, and a subsidy fund.

Differentiated pricing allows for variations in nutrient value, distance from port, risk, and profit. The credit fund is intended to provide loan financing for working capital at preferential interest rates to small, less credit-worthy fertilizer importers and distributors and to redress growing liquidity problems in the commercial banking structure caused by the continuing economic crisis. The subsidy fund enables commercial banks and importers to reduce commercial risks.

A fiduciary bank manages the FSSRP's subsidy fund (replenished with the Government's budget resources) and the revolving credit fund for a management fee. There is an artificial requirement that importers must take an FSSRP import loan to have access to the subsidy fund, in effect forcing the commercial banks to get to know their importer-clients better.

3.3 Implementation Strategy and Experience

The dialogue between A.I.D. and the Government of Cameroon led to the design and implementation of the FSSRP. The first steps focused on establishing a new incentive system and new institutional arrangements and procedures to replace the public monopoly with new actors from the public and private sectors.

On the public sector side, the Technical Supervisory Committee (TSC), an interministerial group of representatives of five ministries and the National Produce Marketing Board and chaired by the Secretary General of the Ministry of Plan and Regional Development, was formed to oversee and manage the FSSRP. The Ministry of Agriculture, formerly responsible for fertilizer procurement, is just one of the ministries represented on the Committee. A.I.D. has an ex officio role and provides technical support to the Committee. Within the Mission, responsibility for program management rests with the Office of Economic Analysis and Policy Reform Implementation.

Liberalization was decreed at the end of 1987, and in the first months of 1988 the Government officially announced the transition from public monopoly to a quasi-market structure. Public tenders were not offered, and the Government's role in fertilizer import and distribution ended.

Putting in place a quasi-market system rapidly became complicated and management-intensive for the TSC and the USAID Mission. To provide the private sector with sufficient financial incentive to supply fertilizer to farmers, the TSC and A.I.D. developed a differentiated pricing structure. To fill the void created by dismantling the monopolistic system, contractual arrangements were negotiated and signed among the TSC, a fiduciary bank, the commercial banks, importers, and distributors. Procedures to provide access to the subsidy and credit funds were also developed. However, unanticipated delays in carrying out these tasks delayed distribution of fertilizer until late October 1988, after farmers needed it. Thus two periods of fertilizer application (March-April and September-October 1988) were missed in the initial process of privatization under a quasi-market approach.

The FSSRP was finally launched in May 1988. Between October 1988 and February 1989, 63,000 tons of fertilizer were imported by three firms (which were awarded contracts from among 10-12 firms that bid) and distributed by four cooperative unions. The time required from ordering to final delivery was 4 to 6 months compared with 12 to 18 months under the public monopoly. A total of 58,000 tons were distributed by coffee and coffee/cocoa cooperatives, and 5,000 tons were distributed by a food crop cooperative. Although data on fertilizer use will not be available until the FSSRP monitoring and evaluation system is in place in late 1990, the evaluation team understands that coffee farmers applied much of their fertilizer also on food crops.

In 1989/1990, 64,171 tons of fertilizer were imported by two firms (although up to seven importers bid in most private tenders) and were distributed by nine agents, including five cooperatives and four private traders.

By May 1990 several problems had arisen. Some importers and distributors were experiencing severe financial difficulties tied to their activities in fertilizer, and some fertilizer stocks had consequently been left in port storage longer than anticipated. Also, farm-level demand for fertilizer was slowing because of the continuing downturn in coffee prices, reduced demand for and prices of food crops, and the general lack of rural liquidity.

4. THE IMPACT AND SUSTAINABILITY OF THE FERTILIZER POLICY REFORM PROGRAM

4.1 Impact on the Public Sector and the Economy

The fertilizer subsidy was historically granted to coffee farmers as partial compensation for the low share of world coffee prices they were receiving relative to the share the National Produce Marketing Board received. Also, coffee farmers, especially arabica producers, were rapidly losing purchasing power as the money they received for their coffee bought less and less in the market place. However, with the economic crisis and the mounting arrearages in 1986/1987, the Government could no longer afford the subsidy associated with the public monopoly. Prior to 1988 the subsidy cost about $20 million per year for about 65,000 tons of fertilizer and accounted for roughly 1.2 percent of the Government’s budget deficit.

Appendix B shows the Government’s declining subsidy bill at decreasing rates and traces the costs at various stages of moving subsidized fertilizer before the FSSRP in 1987 and during its first 2 years of operation in 1988 and 1989. In 1987, the subsidy rate was 66.7 percent of average delivered cost at the cooperative/distributor level, or Franc de la Communauté Financière Africaine (FCFA) 135,000 ($450) per ton of fertilizer nutrient. The subsidy was, therefore, FCFA 90,000 ($300) per ton and was passed from cooperatives to farmers. Thus, farmers paid FCFA 45,000 ($150) per ton rather than FCFA 135,000 ($450), plus any cooperative margins and other costs.

With the reduction of the subsidy and the start of the FSSRP, the mysterious game in the hidden distribution of subsidy benefits became clear and open. The game was the collusion among some government officials, importers, and cooperatives who profited nicely by showing evidence of very high distribution (internal marketing) costs: FCFA 85,000 ($283) per ton, or 1.7 times the CIF cost at the port in Douala. Had these distribution costs not been so inflated and reflected instead 1988 levels induced by the more competitive operations of the FSSRP, the subsidy bill to the Government would only have been $9.7 million instead of $19.2 million. The cost to the Cameroonian people of leakages in the old system in 1987 was, therefore, $9.5 million. This amount represents one element of the total financial benefit of the FSSRP and was the key factor in the Government's decision to start a program of subsidy elimination and liberalization under the FSSRP.

Appendix B demonstrates that there were other benefits as well. In addition to the budgetary savings ($13.9 million on a cumulative basis over 2 years), the efficiency gains in distributing fertilizer reduced not only average delivered costs but also the potential negative impact on farmers as subsidy rates were decreased. Thus, prices to farmers increased by only 23 percent despite a 35-percent drop in subsidy rate. This happened because the subsidy was passed from the importers through the distributors to farmers by the competitive forces stimulated by FSSRP at all levels in the market place. In the second year, 1989, prices to farmers increased by only 4.2 percent when the subsidy rate was decreased another 20 percent.

The overall impact of liberalization was, therefore, highly beneficial and positive. Leakages were stopped. The public monopoly was driven out of the fertilizer business. Significant budget savings accrued to the Government. And, farmers were shielded from undue price increases as the subsidy was reduced by efficiency gains in the import and distribution system.

4.2 Impact on the Private Sector

4.2.1 Impact on the Banking System, Importers, and Distributors

Although up to 12 importers participated in private tenders, 2 new importers were attracted to the industry and won the majority of the bids in the first 2 years of the program. People interviewed by the evaluation team speculate that one of the two companies that won most of the contracts is likely to stabilize and remain a viable Cameroonian company after the subsidy ends, but the other is not. As discussed above, but worth repeating, the new competition at the import level has led to reduced fertilizer prices (i.e., the farm gate prices rose by a smaller amount than the reduction in the subsidy). In some cases, large, liquid cooperatives were able to bid for large quantities of fertilizer and received cash discounts so that actual farm gate prices were lower than they had been previously. It is still unclear whether more modern business practices have been introduced by these new entrants. To some extent, an assessment cannot be made until it is clear that the two new importers will stay in Cameroon and have a long-term impact on the industry.

The total effect of the program on the distribution networks is also still unclear: distribution has been handled by the cooperatives, by existing networks of importers, and by new entrants to the system. There is scope too for private traders to bring fertilizer closer to the farm gate.

Banks have been forced by competition and by the changing economic situation to examine more carefully the viability of the importers/distributors and their purchases. One bank took title to the fertilizer itself as collateral for the loan to one of the importers, a practice common in international trade finance but unusual in Cameroon and likely to take hold because of the program. Commercial banks and importers alike complained to the evaluation team that the requirement to take an FSSRP import loan for access to the subsidy fund was an unnecessary complication.

4.2.2 Impact on Farmers

The privatization of Cameroon's fertilizer subsector will not be possible if there is not a significant, effective demand for fertilizer from Cameroonian farmers. The demand is logically a function of whether or not using fertilizer makes sense to farmers; that is, farmers make their own benefit/cost calculations and must find some means to purchase fertilizer. Data indicate that 53 percent of all coffee farmers, 23 percent of all food crop farmers, 90 percent of all cotton farmers, and 5 percent of all cocoa farmers use fertilizer. Most observers of Cameroonian agriculture believe that small farmers widely accept the use of fertilizer as necessary for production. Fertilizer use by small farmers is most widespread in the provinces of North West, West, Littoral, and South West--the key provinces covered by the FSSRP. Furthermore, observers believe that the use of fertilizer on food crops is increasing faster than the use of fertilizer on other crops. Women farmers in those provinces, as the principal managers of food crop production, may become the primary beneficiaries of the FSSRP if fertilizer becomes available to them in nearby village centers.

To date, no data are available on how farmers currently benefiting from the program are using fertilizer or how they might improve its use. Such data will be collected beginning in 1990, for the seven provinces in the program. Agronomic trials have also been planned for 1990 to develop recommendations for improving farmers' use of fertilizers. Excellent work has been done by the government to design these efforts.

One negative impact of the program was that there was one entire agricultural season in which subsidized fertilizer was not available to farmers who should have been able to buy it. As explained earlier, the program was gearing up; establishing its rules, procedures, and relationships (filling the void created by dismantling the monopolistic system); and overcoming a certain degree of government bureaucratic resistance. But the experience gave many farmers a first-hand lesson on the effects of this delay. They either had to do without fertilizer or pay much higher prices to a few private traders dealing in the unsubsidized market. From the farmers' perspective, the price increase was viewed as just that: More of their extremely limited income was required to buy the same amount of fertilizer.

4.3 Sustainability

4.3.1 Sustainability Within the Political and Economic Environment

Several political and economic factors may affect FSSRP's scale and manner of operation in the near future. Although the Government has made progress, it has yet to face some of the hard policy issues under its structural adjustment program. It must still bring its mounting budget deficit under control, take serious steps to raise nonoil revenues, and follow through on its parastatal and banking reforms with greater effect. Lack of forward movement on the deficit will forestall resolution of the liquidity and financial crises. Continued unfavorable developments in these areas may jeopardize the FSSRP, independent of the program's scale and manner of operation. And, there is always the danger of reversal of the liberalization and privatization process started in 1988 in the fertilizer subsector if prices of the major export crops improve in world markets.

Finally, there is the danger that limited purchasing power in rural areas may no longer sustain fertilizer imports at previous levels. Because of reduced prices, many farmers are getting out of coffee production, thus reducing the demand for total fertilizer nutrients, especially nitrogen. While food crop farmers are picking up some of the slack, their effective demand for fertilizer (which will increasingly include more phosphate as a principal element) may not be in sufficient quantities to offset the falling demand in the coffee sector.

Several program participants have expressed concerns about FSSRP's future. Because the program has been so successful to date--it has wrenched fertilizer distribution from the clutches of government control, corruption, and inefficiency--adjustments must be forthcoming to ensure FSSRP's continued operations, perhaps even with an immediate and total phaseout of the subsidy. The following factors could come into play:

1. There is a healthy, slowly evolving demand for fertilizer among food crop farmers and among those coffee farmers who are still producing. Many farmers have come to value fertilizer, not only for its effects in increasing yields, but also for its effect on relatively poor soils. Such soils must be continuously cultivated as increasingly intense land-use pressure reduces or eliminates farmers' ability to maintain soil fertility through traditional practices such as fallowing. It is likely that the fertilizer system will be more demand-driven as (1) farmers, researchers, and extension agents work on optimum fertilizer use rates and (2) private traders deliver fertilizers to village shops and other points closer to the farm, as they have done for such diverse products as cement, bread, and beer.

2. It is also likely that the fertilizer distribution system will evolve further as reforms affecting coffee and cocoa marketing take hold. Commercially sound distributors/ cooperatives could then import fertilizer directly as their liquidity improves and their knowledge of markets expands when they sell coffee directly to overseas buyers. Also, depending on profitability, some importers may invest in distribution networks in rural areas.

3. The FSSRP may extend into the unsubsidized fertilizer market involving cotton producers in the North and sales to a large number of plantations and estates. The quicker the subsidy is phased out, the faster this development may occur.

4.3.2 Sustainability of the Institutions and Implementation Mechanisms

The FSSRP's sustainability depends on how Cameroonian and U.S. institutions and actors evolve in their roles and whether that evolution will lead to a system that is independent of subsidy, technical support, and managerial intervention. The liberalization of fertilizer import and distribution was achieved by removing the management of that system from the public sector. From all appearances, that liberalization is sustainable because it is highly unlikely that the Government will intervene to reinstate public control, unless world market prices of Cameroon’s major export crops drastically improve. In this unlikely event, the Government’s budgetary resources could improve substantially and its revenue and foreign exchange problems could disappear.

The current system remains essentially an administered, quasi-market system. It is not yet a "true" market system for several reasons. First, the TSC in the Ministry of Plan and Regional Development is the official manager of the fertilizer reform process. The TSC’s role and influence, centered on defining the conditions under which the fiduciary bank should disburse the subsidy fund, clearly mean that the system is not yet wholly private. Second, interest rates for import and distribution loans are subsidized. Third, A.I.D. is intensively involved. In a truly private system such involvement would either be limited or nonexistent. If A.I.D. were providing technical and financial support to a functioning private system of fertilizer import and distribution, its role would be a limited one. A.I.D.’s involvement in the system to this point however, has been central, even determinant, in all major decisions and has at times appeared to blur the lines of responsibility. While A.I.D.’s involvement has been largely positive in overcoming the inertia of the previous system and resolving difficult technical questions and even disputes among actors in the evolving system, such a high donor profile would not exist in a truly private system and could hinder getting such a system up and running in a self-sustaining way. Thus a "true" market system must evolve before sustainability of the FSSRP reforms can be assured.

Privatization, or the establishment of a true market system, rests on the termination of the subsidy and the transfer of all responsibility and authority to private actors. As one participant commented, "only the private sector can achieve privatization." It is hoped that, by the end of the FSSRP, the private sector will have sufficient experience and sufficient incentives to import and distribute fertilizer. Only then will the system be sustainable.

4.4 Continuing Relevance and Replicability

Given the economic crisis facing Cameroon, the Government is increasingly aware that introducing the policy reforms under its structural adjustment program is no longer an option but a necessity. To take advantage of this "target of opportunity," and building on the experience under the FSSRP, A.I.D. is undertaking a phased "Program of Reforms in the Agricultural Marketing Sector." In three phases, the internal and external marketing of arabica coffee, robusta coffee, and cocoa will be liberalized; the crop stabilization scheme will be restructured; and the marketing of additional agricultural inputs, based on the fertilizer model, will be liberalized and privatized. The quasi-market approach instituted under the FSSRP will be applied.

Unlike full and immediate privatization, such as in the case of reforms of public transport in many African countries, the quasi-market approach assumes that markets are imperfect, especially in the African setting, and that special interventions are needed to make them more competitive. Therefore, the USAID Mission believed it needed to help the Government of Cameroon to develop a fertilizer market, help define new institutional arrangements among new actors, and work to ensure that there was a sufficient number of players at every level to ensure competitiveness. This was done to bring transparency into the evolving market, lower transaction costs for new participants, minimize any scope for collusion, and check the tendency for reestablishing special ties to the Government for exceptional gain.

The quasi-market approach raises several issues. On the negative side:

-- The basic assumption that markets cannot develop without outside intervention may not be true. Thus, in the case of the FSSRP, the evaluation team believes that a fertilizer supply system would have evolved with minimal disruptions without A.I.D.'s intensive involvement as rule-maker and watchman. The evaluation team suspects that, although such a system may not have been as efficient as the one A.I.D. has helped put in place, it might be more sustainable after A.I.D. withdraws.

-- There is a danger that a quasi-market will remain "quasi" as new actors come to depend on any subsidies provided by the new system. Thus, the case for extending the subsidy phaseout period may be driven by factors in addition to the financial pinch felt by some players in the current crisis. The subsidy provides not only the funds but also the framework within which the quasi-market is administered. The actors currently in the system may have advantages that will prevent others from entering the market: they know the framework, its rules, and the people involved.

Possible new entrants may find the rules too complex, and they must learn the personal dynamics among actors already in the system. Thus, Cameroonian entrepreneurs, food crop farmers, and women--all essential actors--may continue to be outsiders to the quasi-market for fertilizer. If the subsidy were to be entirely phased out, the framework for administering and controlling the quasi-market would crumble. When this is allowed to happen, it is likely that essential new players could more easily enter the fertilizer market.

On the positive side:

-- A slow and administered approach to privatization may be more acceptable to a government, and easier to negotiate and enable A.I.D. to support important privatization initiatives.

-- A quasi-market may buffer recent entrants from the shocks of privatization and ease the transition to a truly private market.

The replicability of the quasi-market approach to reforms in coffee, cocoa, and pesticide marketing will, in part, depend on how these issues related to the fertilizer subsector are resolved. It is likely that the coffee and cocoa marketing sectors are more developed than was the market for fertilizer. Private exporters, although licensed, have had a strong role in robusta and cocoa marketing. This may suggest a more flexible application of the quasi-market approach to future reforms and less involvement by a USAID Mission in their implementation.

5. FACTORS INFLUENCING PERFORMANCE AND IMPACT

5.1 Internal Factors Influencing the Impact of the Program

The technical and intellectual capacity and drive of the USAID Mission, Government of Cameroon counterpart personnel, and members of the Cameroonian private sector have been a very positive internal factor for program implementation. The A.I.D. managers have used an innovative analytical framework that has contributed to clarifying their approach to problem-solving. Annual reviews, to which all public and private actors and the

USAID Mission are invited, have also facilitated the identification and implementation of solutions to problems that have inevitably developed as the fertilizer import and distribution system evolved. The program's positive impacts to date can be partially attributed to these factors. However, if the program is to lead to a completely autonomous private system, then all involved will have to pay closer attention to building the capacity of private actors to manage fertilizer import and distribution by the end of the program.

5.2 External Factors Influencing the Impact of the Program

5.2.1 The Monetary System, Liquidity Crisis, and the Foreign Exchange Rate

Cameroon is part of the CFA franc zone in which a monetary convention between the BEAC (Banque des États de l'Afrique Centrale) member countries and France provides for a guaranteed fixed exchange rate of FCFA 50 to 1 French franc. The CFA franc is considered by many in the market place to be overvalued. Overvaluation leads potential investors to anticipate a devaluation and results in high costs of investment in Cameroon compared with similar investments in non-CFA-zone countries. An overvalued currency also slows investment of off-shore funds in Cameroon and encourages capital flight. Moreover, an overvalued currency tends to make imports relatively cheap and discourages exports. The impacts on the FSSRP, all other things being equal, of the overvaluation and assumed future devaluation are the following:

- External firms interested in becoming importers of fertilizer in Cameroon are unlikely to make large or long-term investments. They may also be more tempted to repatriate their profits than to reinvest them in Cameroon.

- Domestic firms interested in entering/reentering the market have had to retrench and consolidate their holdings before entering into any new ventures or lines of business. Thus fewer firms have entered the market than would have if the situation had been different.

Within the zone, the money supply is tightly controlled by central bank regulation and credit allocation. The CFA-zone member countries cannot print money to increase liquidity. In addition, the banking system currently has an estimated FCFA 300 billion (about $1 billion) of nonperforming loans on its books, which in turn freezes assets and deposits. The combined effects of these two problems have resulted in a liquidity crisis that can now be felt at every level of the fertilizer program:

-- The Government does not have the money to pay farmers for the coffee crops harvested in the 1988 and 1989 seasons. This means that farmers have less money to purchase fertilizer.

-- Farmers are purchasing fertilizer by offsetting their positive accounts for the unpaid coffee crops. When they deplete these accounts, farmers will only be able to buy fertilizer if they are paid for the sale of their crops or if they have other sources of income.

-- The cooperatives, through which farmers sell their crops and purchase fertilizer, are using their reserves (if they have any) to cover the cash transactions in their role as intermediaries. There will be some consolidation of cooperatives as those who run out of reserves will lose their farmers to other cooperatives.

-- As farmers are using fertilizer on crops other than coffee, coffee production and its associated export earnings will go down. Some farmers are concentrating on food crops for their own families, others on vegetables or staples that can be sold domestically or in neighboring countries. This situation will have long-term foreign exchange implications for the country as a whole.

-- Because the parastatal National Produce Marketing Board is not paying its bills to a large number of the players in the coffee/cocoa marketing systems, its guarantee is basically no longer accepted by the commercial banks in Cameroon. Therefore, banks will only open letters of credit and extend credit to fertilizer importers and distributors who are financially viable without a Board guarantee. This situation has led to even further restriction of the number of potential fertilizer importers and distributors and the availability of credit.

5.2.2 Response of the Government of Cameroon to the Economic Crisis in Relation to the FSSRP

The economic crisis may, in fact, be a blessing in disguise for Cameroon. During the boom years of the 1970s and the 1980s, the Government controlled all aspects of economic life. This control was possible because of the (relatively) high prices for its major exports on the world markets and the consequent tolerance of the Cameroonian population for high taxes and public control of the market place. Given the current situation, however, the Government probably cannot afford the direct budget costs of a fertilizer subsidy, the stabilization of export product prices, and preferential interest rates for preferred sectors, such as agriculture.

The debate within the Government is still quite heated regarding the relinquishing of economic and financial control and the rise of the private sector, however small. Nevertheless, there is evidence that the Government is coming to the realization that it may have no choice but to adopt a more market-oriented system governed by supply and demand. Hence, the Government has cooperated in easing the fertilizer market into the private sector by reducing its subsidy on fertilizers, decreasing the prices paid to farmers for coffee and cocoa to bring them more in line with world market prices, and is openly talking about restructuring the National Produce Marketing Board. In addition, negotiations are underway with A.I.D. regarding liberalization of coffee and cocoa marketing. One may even say that the biggest danger to continuation of this trend is an economic recovery before the reforms have become sustainable.

6. LESSONS LEARNED

-- Policy reform is a process that requires dialogue, networking, flexibility, and management intensity and expertise. Program managers need to learn the delicate balancing act between intervening to make the policy reform start and stepping back to let the reform happen.

-- The transition from a public sector monopoly to a private sector market system is difficult, lengthy, and disruptive to the lives of all the players. Farmers, however, have been quicker to adjust to the transition than have other players in the system.

-- Market forces may lead to shake-outs of some inefficient importers, distributors, and farmers. The positive effects of these shakeouts will be felt in economies of scale and greater efficiency; the short-run negative effects may be felt in bankruptcies, loss of confidence in cooperatives in general, and unemployment.

- -- Reform of the input side of a productive sector through, for example, fertilizer liberalization and privatization will be constrained and probably difficult to complete in the absence of reform in output marketing. In addition, the financial system must provide the necessary conditions, particularly working capital, for input and output marketing reforms to work.

- -- The economic crisis may be a positive force for change and actually help guarantee the success of reform programs in process. Put simply, the crisis works to burn bridges, essentially preventing governments from returning to profligate deficit spending and central control.

- -- Farmers are natural entrepreneurs who understand a great deal about market forces and are quite capable of adapting to changing circumstances.

- -- A monitoring and evaluation system should be in place at the start of a policy reform program. Baseline data can then be used to measure and analyze the impact of policy changes (e.g., fertilizer use on coffee versus food crops).

- -- USAID Missions should be creative in integrating their project and nonproject assistance. For example, agricultural research and extension units and their personnel, both expatriate and national, working with farmers are logical participants in monitoring fertilizer use and preferences and in developing recommendations for improving agricultural productivity and production through fertilizer use.

- -- The role of arbitrator is not appropriate for A.I.D. Market entrants (new and existing) have their own forms of arbitration--or must develop them--and arbitration should be left to them. Otherwise, A.I.D., as a U.S. public sector entity, will get caught in the middle of disputes, and it will be difficult to wean participants from dependency on A.I.D.

7. BROADER ISSUES

7.1 Impact of the Economic Crisis

Although there is much anxiety and concern in urban areas about the economic crisis and speculation on its duration, life in the rural areas goes on. The impact of the crisis has already been felt among Cameroon's coffee and cocoa farmers. They have faced the crisis--higher fertilizer prices and lower coffee prices, as well as nonpayment for their prior-year harvests--and are adjusting. For these farmers, food crops have taken on a larger role in meeting their cash requirements. On balance, these adjustments could be positive and may outweigh the negative impact that the crisis may have exerted on the FSSRP in the short run. The program in turn must conform to these adjustments. That is, the fertilizer distribution system must become more demand-driven and bring food crop farmers, many of whom are not members of coffee cooperatives, into the demand equation. A special concern is how that nascent but growing demand for fertilizer among food crop farmers can be effectively transmitted in the market place. A role for private traders in fertilizer distribution to outlying villages might be indicated.

7.2 Long-Term Impact

It is interesting to speculate on the long-term impact of privatizing fertilizer marketing. If a climate of competition can be sustained, farmers should benefit from reasonable costs for this input, realize a greater return on production, and earn more income from the production of food and export crops. If the liquidity crisis argues persuasively for maintaining a subsidy on fertilizer and prevents healthy competition among importers, the reforms may not be sustainable.

7.3 Monetary Issues

The outcome of all reform measures in Cameroon will be strongly influenced by the future of the CFA franc zone and any devaluations of the CFA franc. The evaluation team anticipates that such developments as exchange rate adjustments and associated measures will serve to sustain the reforms already undertaken, although an CFA franc devaluation would make imports more expensive and thus increase the price of fertilizer to the farmers. Of course, a devaluation could also make export crop production more profitable if the Government chooses to pass potential price increases on to farmers. Under the first initiative in the Program of Reforms in the Agricultural Marketing Sector, the USAID Mission has proposed that the government-set producer price for arabica coffee be eliminated.

7.4 Input Supply Reforms and Demand

Input supply reform, such as the FSSRP, should be based on demand forces as they evolve. Agricultural research and extension personnel working with farmers influence the technical and economic factors that shape demand. In the case of the program in Cameroon, food crop research and extension could contribute greatly to increasing the effectiveness of the FSSRP.

APPENDIX A

METHODOLOGY

The methodology that we used to evaluate the Cameroon Fertilizer Subsector Reform Program was basically deductive. The first step was to read the project documents and background materials that had bearing on the agricultural, social, and financial sectors of Cameroon. The next step, upon arrival in Cameroon, was to be fully briefed by the Mission senior staff, including the program management staff. What we had gathered from the readings was confirmed immediately in our Mission briefings: the FSSRP is an extremely complicated policy reform program--an integral part of a much larger donor-supported reform program--and a program that we could never hope to fully understand in only 3 weeks.

The Mission's briefings, which were group meetings and scheduled presentations on specific aspects of the FSSRP, were invaluable in stimulating our thinking and in providing a forum for a healthy give-and-take with Mission staff. Concurrently we interviewed the key Cameroonian officials who are now managing the FSSRP and who were involved in the design of the program from the start 4 years ago. We also met with officers of the fiduciary bank and the World Bank. It was clear that the Mission had designed the program in a truly collaborative style. By the end of the first week of work in Yaounde, we had developed a set of hypotheses to test in the field.

We spent the second week visiting a sample of the key actors and beneficiaries of the program--farmers, cooperatives, importers, commercial banks, and the fiduciary bank--in three of the seven provinces participating in the program (in the West, North West, and Littoral Provinces) and in the commercial and banking center of Douala. In all cases the interviews introduced new angles to our hypotheses and provoked new ones.

We spent the third and last week drafting the report, sifting through all that we had learned and perceived to distill the essence of impact. This distillation process was not only challenging for the team but also difficult for the Mission.

In undertaking the evaluation, each of us was responsible for addressing discrete aspects of the Program while actively encouraging the sharing of ideas and hypotheses with the other members. The agricultural economist looked most closely at the dynamics of the marketing and pricing systems for coffee and food crops, the effect of policy reform measures on the systems, and farmer adjustments to the reforms. The anthropologist looked most closely at the institutions involved in the program, especially the farm unit. To gain an understanding of what is happening on the farm, interviews were conducted with both male and female farmers. In this case, essentially no firm data are available yet against which to test our hypotheses. Both the economist and the anthropologist also explored the real and potential linkages between the FSSRP and ongoing and planned agricultural research; they visited several research stations and interviewed advisers at these stations and the University Center at Dschang. The banking specialist focused on the effects of the economic crisis on the banking system and, specifically, the performance of the banks and importers participating in the FSSRP. The team leader was responsible for organizing the report and providing guidance and comments on the various sections and the final editing.

APPENDIX B

FERTILIZER SUBSIDY: BEFORE AND 2 YEARS INTO THE FSSRP

Category	1987	1988	1989
1. Subsidy Funds Disbursed (US$ millions)[1]	19.2	6.6	5.3
2. Subsidy Rate (4)/(7)	66.7	43.3	34.6
3. Tons Imported (subsidized)	64,000	63,000	64,171

[1]US$1.00 equals FCFA 300.

4.	Subsidy Amount (FCFA/ton)[2]	90,000	31,504	24,933
5.	Average CIF Cost (FCFA/ton)	49,970	54,967	57,258
6.	Average Distribution Costs (FCFA/ton)	85,030	17,856	14,759
7.	Average Delivered Costs (FCFA/ton)[3]	135,000	72,823	72,017
8.	Price to Farmer (FCFA/ton)[2]	45,000	55,435	57,776

SOURCES: Abt Associates (1990 draft) and USAID/Cameroon.

APPENDIX C

FARMER DECISION-MAKING: THREE VIGNETTES[4]

1. THE ARABICA FARMER'S DILEMMA

Lukong Pious didn't know what he was going to do. School fees for his two sons and two daughters had just been announced: they totaled FCFA 200,000 for the first payment due in September and FCFA 100,000 due in January. His father's funeral last year had cost him the goats he had saved to sell in case of emergencies. His wife was doing all she could, but her

[2]Subsidies under FSSRP were passed to the farmer through a more competitive market process in 1988 and 1989. In 1987, before FSSRP, the subsidy was passed to the farmer under the Government's administered monopolistic system. Thus, the price to the farmer (line 8) in 1987 is derived by subtracting line 4 from line 7, whereas market forces determined the price to the farmer in 1988 and 1989. The latter prices are an average of prices paid in various locations. Variations in prices paid by farmers are primarily a function of transport costs and cooperative margins.

[3]Average delivered costs are at cooperative union levels (wholesale).

[4]These three vignettes are based on evaluation team interviews. The characters are composites and not based on specific people.

first priority for the food crops she raised was to feed the family. She sold some maize and beans last year, and her crop looked good this year, but the rains seemed too late and fickle.

And then the cooperative announced the boost in the price of fertilizer. That was it. It wasn't enough that last year the cooperative president had told them that the National Produce Marketing Board could only pay a quarter of the money they owed him for the coffee crop they had taken from him the year before. Why did the Government take his coffee if it couldn't pay him?

Now the price of his fertilizer was going from FCFA 2,200 for a 50 kilo sack to FCFA 3,200. The cooperative had told him that he could take out fertilizer equal to the amount of his coffee debt from the Government, but he would still pay the higher price. Oh, the man from the North West Cooperative Association said it was the lowest price they could manage and that all prices were going up. He said his shirt cost him 5,000 FCFA now, not 3,000 like last year. Lukong only shook his head—he hadn't had a new shirt in 4 years. Some of Lukong's neighbors even grumbled that their coffee money had bought the man his new shirt.

And the MIDENO man said Lukong could use the same fertilizer on maize as on coffee. But why use it on his acre of coffee at all? He hardly had enough money to spare to pay for the labor to do some pruning--much less apply the fertilizer. Maybe he should leave the coffee alone this year and work with his wife to plant more maize, beans, and cocoyams.

What *had* happened to the price of his coffee? Since before he was married, the men of the village had been able to earn a decent living from coffee--their fine arabica was said to be the favorite in those rich foreign lands. The farmers had used the cooperative's fertilizer and seen their trees grow strong, the berries rich, and the beans large with the right aroma.

Then the doubts started to spread: Were the farmers receiving the same price the Government and the cooperative were getting? Was the Government putting aside money, as they said they would, to help the farmers if the price went down? Would the fertilizer get to them for the beginning of the rains and the flowering of the trees?

The cooperative had assured them that the Government and the Americans were going to help to make sure that the fertilizer reached them on time. At the same time, the Government and the cooperative had warned that the price of fertilizer had been kept too low for too long and that, unless the price was raised immediately, fertilizer might disappear from the market. Even if it showed up, they said, the cost would be much more.

Although nobody liked paying more none could dispute these facts. But then there was a year in which no fertilizer reached the farmers, except through the trader selling fertilizer at FCFA 5,000 a bag. In the same year, Lukong took his coffee to the cooperative and got a note in payment that said the Government owed him for his coffee. He couldn’t eat that note or pay school fees or buy the trader’s fertilizer.

But this year the cooperative has fertilizer. The coop says it will have money to buy Lukong’s coffee. His brother just sold his first coffee harvest to a trader for FCFA 100 a kilo. Lukong told him that he was crazy, but his brother said that the crazy man was the one who waited for the coop to get money from the Government to pay back. Lukong’s uncle had taken out all the fertilizer he could against what the coop said the Government owed him and was selling the fertilizer to farmers in the village who weren’t in the coop. His uncle said that it was better to get some money than wait for the Government to pay.

Well, Lukong couldn’t deny his children their chance to get out of this place. He will harvest his cherries and wash them and sell them to the trader who came in the night. He will use the piece of land his uncle has offered him to plant more corn. He should get a good enough price for the corn to pay the school fees. He will put his fertilizer on the corn and, God willing, it should grow well. His coffee will just have to wait. But what about next year?

2. A WOMAN FACES THE FUTURE

Kinyuy Mary looked at the spindly sticks that had been her husband’s coffee trees. Since he died last year, it had been hard to know what to do about the trees. She generally knew how to care for them, but it cost so much to pay the workers to prune and harvest the trees. None of the men in her husband’s family was interested in sharecropping the coffee with her. Although she and her children could put on fertilizer, she just couldn’t see why they should. She hoped the price of the arabica would go up again sometime, but putting her limited funds into all the things needed to keep the trees producing would mean using the money she was earning from her food crops. But she had just heard that the school fees were going up to FCFA 75,000 for next year.

Last year her food crops had been growing nicely, until her husband died and the funeral ceremonies occupied her time, just when she needed to do the second weeding. The hired laborers had not done a good job on the weeding because she was not there to supervise them. She had earned enough from selling her maize harvest to pay school fees but she had counted on the money from her husband's coffee to buy the fertilizer and pay the labor this year to keep the coffee trees producing. But the money never came. The man from the cooperative said that the Government was going to start to pay soon. Why did the cooperative give the coffee to the Government without getting the money in the first place? She would certainly not have done such a thing with her maize. Some people even said that the Government would never pay, but she couldn't believe it.

Now she needed the money for the fertilizer for her maize and other food crops. She would have to count on the savings group that she and other women in their part of the village had formed. She was due within a month to draw out enough for the fertilizer. She could get enough labor to prepare the land, plant, weed, fertilize, and harvest if she joined an exchange group with other women and worked in rotation on their fields. All of her efforts would have to be on her food crops. The coffee trees would have to survive on their own--maybe something could be done with them next year.

3. ARABICA FARMER ON THE MOVE

Tchala Jacques's coffee had earned him only half as much as it had the year before, and the man from UCCAO had told him the best way to profit was to grow coffee in parcels without any other crops. He needed to put on more fertilizer, which was bound to increase in price next year. He had heard that they had only been lucky when UCCAO had been able to slightly lower the price of fertilizer this year. The man from UCCAO had said that, without food crops taking away nutrients and water, the coffee trees would yield bigger berries and better beans. He also said that establishing pure stands would protect the coffee trees from damage caused by women planting and weeding their food crops between the rows of coffee trees.

But all that meant that Tchala needed to find more land and to wait for new coffee trees to bear fruit. His wife and his oldest son could take care of their fields where coffee grew among the food crops. He couldn't even think of making her move her maize, cocoyams, beans, and other crops elsewhere--there was just no land near them, and his family needed her food crops to eat and her money to help pay the school fees and other necessities.

He would just have to find land where his family had found it before, near their distant relatives close to Foumbot. His brother had grown coffee there now for 7 years. The big problem was getting the money to start the venture--clearing the land, buying and planting the seedlings, and fertilizing and weeding. He hoped that UCCAO would come through with the extension advice on how best to plant coffee in pure stands. But the money would have to come from his credit union savings. He could take out a loan twice the amount he had saved and not have to pay back until his coffee trees started producing. He felt he had no choice if he was going to stay in arabica farming. And he felt he didn't know anything other than what had always provided enough of a living for him and his family. He would have to take the risk. He would move, take the loan, and hope for better production in the pure stands and for higher prices soon.

APPENDIX D

USAID/CAMEROON'S COMMENTS ON THE EVALUATION FINDINGS

1. NEED FOR AN ANALYTICAL FRAMEWORK

The USAID Mission finds the Impact Evaluation too heavily weighted toward farm-level analysis and the role of the Government of the Republic of Cameroon. While it is legitimate to focus on people and government-level impact, placing the emphasis mainly on farmers and the government in describing impacts of FSSRP left unanswered the impacts of that reform program on importers, bankers, and distributors. Under FSSRP, it is important to realize that farmers can only have fertilizer at the lowest possible cost to apply to their crops in a timely fashion if importers and bankers are induced to bring fertilizer into Cameroon, if distributors have the incentive to buy fertilizer from importers for resale to farmers, and if the Government is willing to remove itself from the procurement of fertilizer. In addition, competition has to take place at all levels (i.e., banking, importation, and distribution) of the fertilizer procurement system for FSSRP to achieve its objective. It is recalled that the objective of FSSRP is to ensure the timely availability of fertilizers to farmers at the lowest possible costs to the Government and small farmers. This objective will be achieved by establishing a private market for fertilizer importation and distribution which is competitive, sustainable, and subsidy free.

The Mission feels that the Impact Evaluation should have used a broader analytical framework--a framework which would include demand aspects for FSSRP, supply aspects of FSSRP, and the repeated interactions of demand and supply, which is the basis of the creation of a subsidy free, private, and sustainable fertilizer market.

In implementing FSSRP, the Mission is concerned with all financial and institutional aspects (i.e., the full range of formal and informal rules, regulations, procedures, and incentive sets in the economic, political, and social spheres) which impinge upon the behavior of all economic operators within the fertilizer procurement system (i.e., importers, banks, distributors, farmers, and the Government). A financial and/or institutional bottleneck at any given level of that procurement system, either on the demand side or on the supply side, will disrupt the process of privatization (i.e., the iterative process of interaction between demand and supply).

The Mission’s rejoinder will, first, deal with demand aspects of FSSRP. Second, it will discuss the Evaluation’s assessment of supply aspects of FSSRP. Third, it will review the A.I.D./Washington assessment with respect to aspects of interaction between demand and supply and the roles of the GRC and USAID in managing FSSRP and monitoring the privatization process. The issue of FSSRP’s sustainability will be discussed last.

2. DEMAND CONSIDERATIONS

At the farm-level, the Impact Evaluation had adequately discussed FSSRP impact on farmers. However, the A.I.D./Washington report places considerable stress on the fact that the first shipments of fertilizer under the FSSRP only arrived in September and October 1988 and concludes that this "delay" created hardships for farmers who did not have fertilizer during the March-April and September-October 1988 peak application periods. While it is true that there were delays, these delays were only in the sense that importers did not meet the delivery dates established in their contracts with distributors. As the report correctly notes, these delays were largely attributed to the learning curve of any new set of procedures. However, these delays did not translate into serious problems for farmers as all of the larger cooperatives still had stock from 1987 imports under the old monopoly (which was truly delayed). Indeed, the North-West Cooperative Association's report on the first year of FSSRP calls deliveries "timely."

In addition, the Evaluation inaccurately states that the demand for nitrogen has declined under FSSRP. The import statistics from the first 2 years of FSSRP show that farmer's have greater rather than less demand for nitrogen. This is evident from the change in the structure of demand away from ammonium sulfate (with only 21 percent nitrogen) to urea (with more than twice as much). Urea imports increased by almost 10,000 tons between 1988 and 1989 and rose from 24 percent of imports under FSSRP in 1988 to 39 percent in 1989.

3. SUPPLY CONSIDERATIONS

On the supply side of FSSRP, the Evaluation is incomplete. Having acknowledged the seriousness of the economic crisis (a cumulative drop of 20-25 percent in GDP since 1986), banking problems (e.g., a total of FCFA 300 billion in bad loans, the closing of 3 out of 12 banks and the restructuring of the other 9 banks), and the lack of liquidity in the rural economy due to a 40-percent drop in producer prices for coffee and cocoa and the huge arrears owed to farmers and cooperatives/fertilizer distributors, and the Evaluation fails to explain why bankers, importers, and distributors have since 1987 participated in FSSRP. The Evaluation also fails to assess the impact of FSSRP on importers, bankers, and distributors, the economic agents operating on the supply side of FSSRP.

As indicated by the Mission in "Cameroon Fertilizer Subsector Reform Program," *(Africa Fertilizer Review, December 1990),* the subsidy fund (capitalized annually with resources from the Government's budget) plays a critical role in the promotion of the FSSRP privatization process by reducing commercial risks incurred by bankers and importers. The management of the FSSRP subsidy fund by a fiduciary bank removes the Government from the day-to-day management of subsidy money. The wide publication of explicit rules for earmarking and disbursing resources from the subsidy fund removes uncertainty and reduces the cost of doing business in FSSRP. All the above-mentioned characteristics of FSSRP constitute important positive impacts of the program on the private sector.

The characteristics and role of the FSSRP subsidy fund point to an important lesson to be learned. Within a public monopoly set up by a bureaucratic regime characterized by discretionary power and lack of accountability, the fertilizer subsidy seldom benefited the farmers and was a source of corruption. In contrast, in a liberalized regime, subsidy disbursements can, if properly designed, reduce commercial risks and can, therefore, induce the participation of banks and importers. Turning the subsidy fund from a source of corruption and inefficiency under the old public monopoly to a positive financial incentive under FSSRP which promotes progress toward a subsidy free, private, and sustainable fertilizer procurement system is one of the major impacts of FSSRP on the Government's management of public resources.

As the Evaluation states, it is very true that collusion and corruption in the old public monopoly system led to inflation of costs and inefficiency. However, it should be pointed out that this collusion and corruption was almost exclusively restricted to the system of public lenders at the importation level and the system of awarding inland transportation contracts by the Government. The cooperatives who were distributors of fertilizers did not "profit nicely" under the old system; indeed they lost money as they were compelled to distribute the fertilizer with almost no remuneration. Consequently the cooperatives have been some of the strongest supporters of the liberalized system as they are now able to cover their costs of fertilizer distribution.

Finally, inaccuracies in Appendix B, overstate the impact on distribution costs and understate the impact of competition in bringing down CIF import prices. The correct data for Appendix B are presented in Table 3 of "Cameroon Fertilizer Subsector Reform Program" (*Africa Fertilizer Review,* December 1990).

4. INTERACTION BETWEEN DEMAND AND SUPPLY UNDER FSSRP

The Evaluation does not adequately deal with aspects of interactions between demand and supply, that is, the process of trial and error which businessmen go through over and over again before a market is created. In economic literature, that trial and error process is known as Léon Wairas's *tâtonnement* process.

4.1 <u>Networking and Information Dissemination</u>

To ensure interaction between demand and supply within the FSSRP framework, basic market information should be available. Who are the fertilizer users? Where are the users located and what do they need and when? Who are the importers? Who are the distributors? What does liberalization mean? What does privatization mean? How can one have access to the subsidy fund? What pricing system is in effect? For businessmen wanting to operate in FSSRP, the acquisition of information entails costs. The magnitude of these costs depends on the amount of time needed to go around the Ministries of Plan, Agriculture, Industry/Commerce and Finance to acquire information and data pertinent to FSSRP. The lower the initial cost, the more likely are businessmen to participate in FSSRP. The initial transaction cost imposed on business people in an economy in crisis is a critical consideration for USAID/Cameroon in the implementation of FSSRP. At the outset, USAID/Cameroon decided that the Office of Economic Analysis and Policy Reform Implementation (EAPRI) will be the information center for the Mission in FSSRP. EAPRI's function in this respect is similar to the one-stop shop which is so critical to the success of most free trade zones around the World. To fulfill the responsibility of FSSRP’s one-stop shop, EAPRI needs to build information networks to gather and disseminate current data. Thus, the management of FSSRP is very labor intensive and involved. The Evaluation fails to acknowledge the impact of information dissemination by EAPRI as FSSRP’s one-stop shop in promoting the privatization process. It should be noted, however, that EAPRI in its role of FSSRP’s one-stop shop does not in any way determine the eligibility of a participant, authorize subsidy disbursement, or grant loans.

4.2 Roles of the Government and USAID/Cameroon

While the Evaluation acknowledges that with the implementation of FSSRP’s liberalization component a vacuum is created, the assessment goes on to advocate a "laisser faire" management style in implementing the privatization component of FSSRP. The laisser faire approach will not lead to the creation of a competitive, subsidy free, and sustainable fertilizer market because of encroachment of factors that are exogenous to the fertilizer subsector in addition to the high initial transaction cost related to information gathering described above. Such factors include administered prices for fertilizer (finally abolished for the 1990 FSSRP campaign), monopoly granted to the national shipping company CAMSHIP, protracted customs clearance procedures at the port of Douala, absence of an efficient legal system to adjudicate commercial litigations, extremely risk-averse banking practices requiring 100 percent of bank guarantee, huge arrears owed to farmers by the National Produce Marketing Board (ONCPB) reducing farmer's ability to pay and effective demand, involvement of ONCPB in counter-signing guarantees provided by cooperatives to commercial and other macroeconomic problems (e.g., restructuring of the banking sector, rehabilitation of state-owned enterprises, budget, civil service, investment code, labor code) which have already been discussed by the Mission with A.I.D./Washington under a review of shortcomings associated with the Mission's "commodity-slice-approach."

Under the laisser faire approach any one of the exogenous factors mentioned above could at any time stall, or even worse, completely block, the tâtonnement process which will eventually lead to a sustainable, subsidy free, competitive fertilizer market. The labor intensive and involved management style used by USAID since 1987 was aimed to circumvent or remove discrete and momentary blockage in the tâtonnement process to further privatization. In collaboration with the FSSRP fiduciary bank, FSSRP managers constantly monitor all contracts executed through the program. In cases of blockages, FSSRP managers seek to understand "WHO IS DOING WHAT TO WHOM AND WHY." Once understanding is gained, USAID proposes to the Government Technical Supervisory Committee (TSC) a set of actions aimed to remove or circumvent the problem. Once the discrete obstacle is removed, another contract gets executed and the tâtonnement process goes on.

To profess a laisser faire management style within an environment where the acquisition of information is time-consuming and costly and where cross-sectoral policy problems can encroach on the operation of fertilizer procurement in the FSSRP liberalized environment represents an incongruity which should be avoided at all cost in attempts to liberalize and privatize agricultural markets.

Besides the need to provide the services of a one-stop shop and of a facilitator to overcome discrete and temporary encroachment by exogenous factors, there is another reason why the management of FSSRP is so labor-intensive and so involved. That reason is related to the process of dialogue with the governance structure, the bureaucracy, the private financial institutions, and the importers/distributors/farmers and the necessity to reiterate that dialogue at all four levels to insert correcting measures into FSSRP as more understanding of privatization process is gained. The Evaluation mentions the work done by Mission personnel in collaboration with personnel of Indiana University's Workshop in Political Theory and Policy Analysis. That work "Privatization Structures: An Institutional Analysis of the Fertilizer Reform Program in Cameroon," by R. J. Oakerson, S. Wynne, T. V. Truong, and S. T. Walker, is now available. The report describes in great detail the process of dialogue since 1987. That process is critical to the promotion of privatization. Interested readers are advised to read that report.

Some further precision is needed in describing the role of the TSC and its relation with the private sector. The TSC does not "manage" either the subsidy fund or the revolving credit fund. One of the most important features of the FSSRP was the requirement that the state turn over management responsibilities for the two funds to a fiduciary bank which disburses funds according to the stipulations of a set of procedures developed jointly by the Government, the private sector, and USAID. Indeed, the major role of the TSC is to represent the Government in the annual examination and modification of these procedures. By extension, neither the Government nor the TSC has a role in the negotiation and execution of contracts between commercial banks, importers, and distributors.

The Evaluation's greatest skepticism is reserved for the engaged approach the Mission has adopted in monitoring implementation of the FSSRP. The Mission does not apologize for this approach, but it is important to understand exactly what it is the Mission has been engaged in. The Mission's involvement in FSSRP has been essentially of four types:

-- Along with the TSC, it reviews the progress of the program and works with the TSC to modify the rules and procedures governing the access to the subsidy and credit funds on an annual basis.

-- Along with the TSC, it has intervened when the supporting institutional arrangements for the FSSRP have broken down.

-- Along with the TSC, it contracts for the collection of data and analysis of data on program impact, for subactivities (such as fertilizer demonstrations) that support the objectives of the FSSRP, and for training for private sector participants in fertilizer marketing.

-- It provides information to current and potential participants in the program.

As such, USAID is not directly involved in any of the private commercial contracts or transactions that are the heart of the FSSRP. This is not to say that the Mission is not very interested in the outcome of these transactions; it makes considerable efforts to fully understand them in order to better understand the process of transition to privatized markets more fully. Perhaps the Evaluation report has mistaken the Mission's deep knowledge of the detailed workings of the program with direct involvement.

4.3 "Only the Private Sector Can Privatize"

The Evaluation should not have coined the sentence "only the private sector can privatize." That sentence erroneously over-simplifies FSSRP's market privatization efforts because it fails to differentiate between private profit/cost and social profit/cost. Business people have little interest in undertaking policy reform because it entails high private costs and the related private profit would probably be negative. On the contrary, USAID and the Government are interested in policy reform because the social profit of such an activity is positive and potentially high in relation to social costs.

5. ENSURING SUSTAINABILITY

The Mission has shared the Evaluation’s concern for sustainability since the start of FSSRP and has consequently developed a clear strategy for increasing the chances of sustainability. The Evaluation notes some elements of strategy--including gradual elimination of the subsidy and the Mission’s initiation of complementary policy reform programs to liberalize and privatize coffee, cocoa, and pesticide marketing. However, the Evaluation did not include the following elements:

-- The gradual loosening of rules related to the FSSRP to make the present marketing structure less "quasi-liberalized" and more "fully privatized." For example, in 1990 all remaining price controls on fertilizer were removed and eligibility criteria for the subsidy and credit funds were relaxed.

-- The creation of a single, liberalized, privatized, and unsubsidized market for fertilizer in Cameroon by first incorporating the three northern province into the program in 1991 and then phasing out all subsidies by 1992.

-- The deepening of support for the FSSRP within the Government through dissemination of the results of program impact and through contacts with senior Government officials to explain the process of liberalization and privatization.

-- The broadening and channeling of support for liberalization and privatization by the private sector, particularly the Cameroonian private sector through (1) training to improve skills needed in a liberalized regime, (2) individual counseling on how to participate in the FSSRP, and (3) providing opportunities for the private and public to interact through annual reviews/workshops sponsored by the TSC.

Thus, the Mission sees the best insurance against "backsliding" is a privatized system that meets the needs of farmers and widespread support among the private sector to retain the benefits of liberalization.

However, at the same time that the Mission is attempting to lay the foundation for the long-term sustainability of a privatized fertilizer market, it is also concerned about the short-term performance of the system. If there is a breakdown in the system, there may be nothing to sustain. Short-term performance is measured by ensuring effective demand and efficient supply. Without both, the market will fail. If the Mission's principal concern during the first 2 years of operation was on ensuring that the private sector could promise adequate and timely supply, it was because effective farmer demand was sure. With the plummeting of prices for export and food crops, the Mission has focused much more attention on the problem of effective demand. Without a certain level of demand, private sector operators will not be interested in importing or distributing fertilizer. The collapse in demand has undermined input reform programs elsewhere in Africa. It was in this spirit that the Government and USAID agreed to slow the pace of the subsidy removal in 1990. However, the Mission's commitment to subsidy removal should not be questioned.

CDIE Foreword to USAID Cameroon's Comments on the Evaluation Findings (Appendix D):

CDIE Impact Evaluations are a unique type of evaluation in A.I.D. They provide an independent examination of development results--the actual impact of programs on the target population and the broader aspects of institutional and socioeconomic impact. They are designed to assess program performance and to identify operationally useful lessons of how program performance can be improved.

Impact evaluations are at their best when they critically and thoroughly question all of the assumptions and intended benefits of a project. This is particularly important since development is an uncertain, high-risk business, where many things can go awry and we need to know which approaches work best.

In the case of the impact evaluation of the Cameroon policy reform program, the evaluation team took a hard look at the program and after careful analysis gave it high marks. Nevertheless, the team found several areas where, in its view, performance could have been better. When the evaluation team discussed its findings with the Mission, there were differences of opinion. The evaluation team took the Mission's views into account where it could, but in several cases, where there was still a difference of view, the team had to rely on its own judgment.

Often in A.I.D. documents go through a clearance process designed to build consensus on major issues. However, impact evaluations, because of the need to ensure the objectivity of their findings, (they are used to guide future programming and policy decisions Agencywide), are not submitted to the same "clearance" process. The Administrator, in his efforts to strengthen central evaluation in A.I.D., has placed a special emphasis on ensuring the integrity, objectivity, and independence of CDIE evaluation findings. To help ensure independence, CDIE selects professionals for the evaluation teams who are not associated with either the USAID Mission or the program being evaluated. In addition, while Missions are always asked to review the draft evaluations and their comments are carefully considered, especially where issues pertain to the accuracy of facts, their concurrence is not a requirement for clearance.

In order to enable the USAID Cameroon Mission to voice its dissenting views, without compromising the evaluation team's own independent assessment and conclusions about the performance of the program, CDIE has offered the Mission the option of preparing a short appendix (below). CDIE welcomes such debate and differences of opinion as an important aspect of the "learning" process that will ultimately improve our understanding of what influences program performance.

Appendix D provides the Missions' comments on the Impact Evaluation. While the Mission refers to "inaccuracies" and "mistakes" in the evaluation report, from CDIE's perspective, the issues generally center on differences in philosophy of approach, different data sources, or different interpretations of events. In brief, here are the areas of difference:

- <u>The evaluation emphasizes farm-level analysis and the role of the host government</u>. The Mission feels that importers, bankers, and distributors were slighted. In fact their role was analyzed (see pages 6-10 above). The evaluation placed major emphasis on farmer impact (the beneficiaries) and the role of the Government (which sets the rules and subsidies). Since an impact evaluation is designed to look at beneficiary impact, the approach used by the evaluation team seems appropriate.

o <u>Were adequate quantities of fertilizer available to farmers during the first year of reforms</u>? Based on key informant interviews, the evaluation identified first-year start-up problems that delayed fertilizer deliveries. In contrast, based on reports from the cooperatives, the USAID Mission states that adequate fertilizer was available in carry-over inventory so that farmers did not suffer.

o <u>Did fertilizer use increase or decrease</u>? The evaluation judges the policy reforms to be successful since fertilizer consumption declined only marginally during a period in which a potentially disruptive set of reforms (privatization and subsidy reduction) were being implemented. The USAID Mission points out that fertilizer "nutrient" imports may have increased since there was a shift from low-nutrient fertilizer to high-nutrient fertilizer. Since the evaluation looked at tonnages rather than types of fertilizer, it may have understated nutrient import levels. The evaluation examined effective demand rather than import levels and argues that fertilizer consumption may be declining as farmers move out of coffee into food crop production (which requires much less fertilizer).

o <u>The USAID Mission feels that the evaluation fails to emphasize the importance and success of the FSSRP Subsidy Fund</u>. The USAID Mission sees the Fund as a way to encourage banker and importer participation while reducing corruption and inefficiencies. The evaluation sees the Fund as a subsidy that stands in the way of a movement to a truly private, subsidy-free fertilizer distribution system.

o The USAID Mission states that the evaluation overstates the impact of the reforms on distribution costs and understates the impact of competition on the imported price of fertilizer. Lacking data, the evaluation was not able to determine the impact of competition on CIF prices. The evaluation did find that distribution costs declined due to increased competition.

o Should reforms proceed quickly and fully or should they be carefully managed and slowly phased-in? In development literature this is a major area of disagreement among economists--it is also the major disagreement between the team and the USAID Mission. The Mission states that too many uncertainties exist and information is too inadequate to allow for an immediate elimination of subsidies and a complete privatization of fertilizer distribution. The Mission states that shortages, high prices, and major mistakes will result unless the private sector receives guidance and help during the transition process. The evaluation team finds that a "quasi-free market" has been created with the USAID Mission and the Government’s Technical Supervisory Committee (TSC) playing a major role in administering the market. The evaluation urges a rapid movement toward a true private sector system, with the termination of subsidies and market management. The evaluation states that free markets can only develop without A.I.D. and TSC involvement and that a managed-market system runs the risk of becoming stuck and never fully moving to a truly free market, especially when key players, such as women food crop farmers and private traders, are not effectively involved in the Government's planning process.

John Eriksson

Associate Assistant Administrator
Center for Development Information and Evaluation
Bureau for Program and Policy Coordination
Agency for International Development

BIBLIOGRAPHY

Abt Associates, Inc. 1990. "Second-Year Assessment of Fertilizer Sub-Sector Reform Programs, Technical Report." Draft. Washington, D.C.: Abt Associates, Inc.

Abt Associates, Inc., and the University of Idaho/Portharvest Institute. 1989a. "Fertilizer Utilization Practices and Crop Response Research: Recommendations for the Fertilizer Sub-Sector Reform Program of the Cameroon." Washington, D.C.: Abt Associates, Inc.

Abt Associates, Inc., and the University of Idaho/Portharvest Institute. 1989b. "Monitoring and Data Collection System for the Fertilizer Sub-Sector Reform Program of Cameroon." Washington, D.C.: Abt Associates, Inc.

Abt Associates, Inc., and the University of Idaho/Postharvest Institute. 1989c. "Privatization of Fertilizer Marketing in Cameroon: First-Year Assessment of the Fertilizer Sub-Sector Reform Program, Technical Report." Washington, D.C.: Abt Associates, Inc.

Agency for International Development. 1987. "Cameroon Fertilizer Subsector Reform Program." A.I.D. Program Assistance Approval Document. Washington, D.C.: A.I.D.

Agency for International Development. 1989. "Country Development Strategy Statement, FY 1990-1994, Cameroon." Washington, D.C.: A.I.D.

Cameroon American Trade Exchange. 1990. "Evaluating Team Meeting Program." Memorandum, May 16. Yaoundé, Cameroon: CAMETREX.

Development Alternatives, Inc. 1989. "USAID Cameroon Country Development Strategy Statement Analytical Study." Washington, D.C.: Development Alternatives, Inc.

FSSRP/PRSSE Technical Supervisory Committee (TSC). 1988, 1989, and 1990. General Information Pamphlet. Yaoundé: USAID/Cameroon. Photocopy.

FSSRP/PRSSE Technical Supervisory Committee (TSC). N.d. "Fertilizer Sub-Sector Reform Program—1990 Fertilizer Use Survey." Yaoundé: USAID/Cameroon. Photocopy.

Government of Cameroon. 1989. "Statement of Development Strategy and Economic Recovery." Yaoundé: USAID/Cameroon. Photocopy.

Government of Cameroon. 1990. "Seminaire d'evaluation du PRSSE, Bamenda, 22-23 fevrier 1990." Letter from the Minister of Plan and Regional Development to the USAID/Cameroon Director, March 9. Yaoundé: USAID/Cameroon. Photocopy.

Government of Cameroon, Ministry of Agriculture. 1987. "1984 Agricultural Census." Vols. 1, 2.H, 2.I, 2.J. Yaoundé: Government of Cameroon.

Government of Cameroon, Ministry of Agriculture, North West Development Authority. 1984a. "Baseline Yields of Arabica Coffee, Maize, and Beans, North West Province, 1983." Yaoundé: USAID/Cameroon.

Government of Cameroon, Ministry of Agriculture, North West Development Authority. 1984b. "Baseline Socio-Economic

Survey of North-West Province, Cameroon, 1983." Yaoundé: USAID/Cameroon.

Government of Cameroon, Ministry of Agriculture, North West Development Authority. 1987. "Maize Based Farming Systems in the North West Province of Cameroon." Yaoundé: USAID/Cameroon.

Government of Cameroon, Ministry of Agriculture/Ministry of Plan and Regional Development. N.d. "Rapport de la mission conjointe MINAGRI-MINPAT effectuee du 22 au 31 janvier 1990 dans les provinces de l'Adamaoua, du Nord et de Extreme-Nord." Yaoundé: USAID/Cameroon. Photocopy.

Government of Cameroon, Ministry of Industrial and Commercial Development. 1989. "Texte de campagne cacoayere, 1989-1990." Yaoundé: USAID/Cameroon. Photocopy.

Government of Cameroon, Ministry of Plan and Regional Development. N.d. "Rapport du seminaire-atelier sur PRSSE, Dschang." Yaoundé: USAID/Cameroon. Photocopy.

Government of Cameroon, and U.S. Agency for International Development. 1987. "Farming Systems Survey of Meme

Division, South West Province of Cameroon." Yaoundé: USAID/Cameroon. Photocopy.

Government of Cameroon, and U.S. Agency for International Development. 1988a. "Farming Systems Survey of Manyu Division, South West Province, Republic of Cameroon." Yaoundé: USAID/Cameroon.

Government of Cameroon, and U.S. Agency for International Development. 1988b. "Farming Systems Survey of Ndian Division, South West Province, Republic of Cameroon." Yaoundé: USAID/Cameroon.

Government of Cameroon, and U.S. Agency for International Development. 1990. "1989 USAID Annual Report: Nkolbisson Testing and Liaison Unit." National Cereals Extension Project. Yaoundé: USAID/Cameroon.

International Fertilizer Development Center (IFDC), and Agency for International Development. 1986. "Cameroon Fertilizer Sector Study." Muscle Shoals, Alabama: IFDC.

International Monetary Fund (IMF). 1988. "Cameroon--Staff Report for the 1988 Article IV Consultation and Request for Stand-By Arrangement." Washington, D.C.: IMF.

International Monetary Fund (IMF). 1989. "Cameroon--First Review Under Stand-By Arrangement." Washington, D.C.: IMF.

Knudsen, Odin, and John Nash. 1989. "Agriculture Sector Adjustment Lending and Agricultural Policy." Yaoundé: USAID/Cameroon. Photocopy.

Lele, Uma, Robert E. Christiansen, and Kundhavi Kadiresan. N.d. "Fertilizer Policy in Africa: Lessons From Development Programs and Adjustment Lending, 1970-1987." Washington, D.C.: World Bank.

Lowi, Theodore J. 1985. "The Public Character of Private Markets." Ithaca, New York: Cornell University.

National Cereals Research and Extension (NCRE) Project. 1990. "1989 USAID Annual Report, Nkolbisson TLU." Yaoundé: USAID/Cameroon.

Shepherd, Andrew. 1989. "Approaches to the Privatization of Fertilizer Marketing in Africa." *Food Policy* 14:143-154.

Sidhu, Surjit S. 1988. "Fertilizer Policy for Sub-Saharan Africa: A Review of the Literature." Muscle Shoals, Alabama.

Sidhu, Surjit S. 1989. "Travaux franco-camerounais sur les besoins de financement de l'ONCB." Yaoundé, Cameroon. Photocopy.

Truong, Tham V. 1989. "Privatization of Cameroon's Subsidized Fertilizer Subsector: The Implementation Process." Yaoundé: USAID/Cameroon. Photocopy.

Truong, Tham V., and S. Tjip Walker. Forthcoming. "Policy Reform as Institutional Change: Privatizing the Fertilizer Subsector in Cameroon." In *Institutional Sustainability in Agriculture and Rural Sustainability in Agriculture and Rural Development: A Global Perspective.* Edited by Derick W. Brinkerhoff and Arthur A. Goldsmith. New York: Praeger Publishers.

USAID/Cameroon. 1988. "Agreement Between the Technical Supervisory Committee (TSC) and the Bank of Credit and Commerce Cameroon (BCCC) for the Management of the Fertilizer Sub-Sector Reform Program (FSSRP) in Cameroon." Yaoundé: USAID/Cameroon. Photocopy.

USAID/Cameroon. 1989. "Document Flow Within the FSSRP Loan/Subsidy Program." Yaoundé: USAID/Cameroon. Photocopy.

USAID/Cameroon. 1988-1989. "Project Implementation Reports." Yaoundé: USAID/Cameroon. Photocopy.

USAID/Cameroon. 1990. "USAID/Cameroon FY 1990-1992 Action Plan." Yaoundé: USAID/Cameroon. Photocopy.

USAID/Cameroon. N.d. "Fact Sheet, Cameroon Fertilizer Privatization (Fertilizer Subsector Reform Program--FSSRP)." Yaoundé: USAID/Cameroon. Photocopy.

USAID/Cameroon. N.d. "Women in Development--Country Profile." Yaoundé: USAID/Cameroon. Photocopy.

Van de Walle, Nicolas. N.d. "The Politics of Non-Reform in Cameroon." In Hemmed In: Responses to Africa's Economic Dilemma. Edited by Thomas J. Callaghy and John Ravenhill. New York: Columbia University Press.

Vondal, Patricia J. 1988. "Improving Non-Project Assistance Through Better Social and Institutional Analysis: Suggestions From Africa Bureau Experience." Social/Institutional Analysis Working Paper No. 1, AFR/DP. Washington, D.C.: A.I.D. Photocopy.

World Bank. 1986. "Cameroon Financial Sector Report." Washington, D.C.: World Bank.

World Bank. 1989. "Cameroon Agricultural Sector Report." Washington, D.C.: World Bank.

World Bank. 1990. "Project Completion Report: Cameroon Northern Province Rural Development Project (Credit 1075-CM/Loan 1919-CM)." Washington, D.C.: World Bank.

Wyeth, Peter. 1990. "Arabica Production Costs and the Impact of Government Policy, An Application of Policy Analysis Matrices." Working Draft. USAID/Cameroon. Photocopy.