PRIVATIZATION OF CAMEROON'S SUBSIDIZED FERTILIZER SUBSECTOR: THE IMPLEMENTATION PROCESS

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SECTION I
INTRODUCTION

Up through 1987 the Government of the Republic of Cameroon (GRC) relied on a public monopoly to finance, import, and distribute subsidized fertilizer. In 1987 it took the public monopoly 12 to 14 months to supply 64,000 tons of fertilizer. The fertilizer cost an average of FCFA 55/kilogram to be fabricated and delivered to the port of Douala and an average of another FCFA 65/kilogram to be delivered to farmers. The farmer paid only FCFA 45/kilogram for it. The total cost to the GRC for the subsidy program was approximately FCFA 6 billion.

In 1988 the GRC relied on the private sector for the financing, importation, and distribution of subsidized fertilizer. The private sector, made up of commercial banks, private importers, and cooperatives, needed only 6-8 months to provide 63,000 tons of fertilizer.[1] Due to increased world prices, the fertilizer cost an average of FCFA 66/kilogram to be fabricated and delivered to the port of Douala, but it only cost an additional FCFA 32/kilogram to be delivered to the farmers. The subsidy rate had been reduced, so the farmer paid an average of FCFA 54/kilogram. The total cost to the GRC for the subsidy program was FCFA 2 billion. In sum, in the one year it took to dismantle the public monopoly and replace it with a privatized system, delivery times were cut in half, in-country costs were reduced 16 percent, and FCFA 4 billion in budgetary savings were realized.[2]

The source of these dramatic results was the Fertilizer Sub-Sector Reform Program (FSSRP). The FSSRP is a five-year policy reform program being undertaken by the GRC to establish a private fertilizer marketing system in Cameroon that is competitive, sustainable, and subsidy-free. FSSRP, which runs through September 1992, is being supported by $20 million in grants from USAID: $17 million in the form of non-project assistance and a $3 million project component.

However, FSSRP's significant initial accomplishments should not be assumed to have been easily won. Nor should FSSRP's early success be assumed to assure long-term sustainability. On the contrary, the experience with FSSRP has shown that the process of policy reform is a lengthy, time-consuming one that begins with the identification of a problem and extends through research, policy dialogue, to the design of the reform measures. In the case of the FSSRP, these preliminary phases took over two years. More importantly, policy reform does not stop with the signing of the agreements or the promulgation of the new policies. It continues into an implementation phase that is inherently confrontational and requires continued monitoring and intervention if the reform is to take hold and become sustainable.

The characterization of the policy reform process as lengthy, confrontational and managerially-intensive is a far cry from the idealized notion of policy reform that many of its advocates seem to possess. In the idealized form, policy reform is rapid to design, perhaps difficult to negotiate, but once agreed to, becomes essentially self-implementing. Where implementation problems arise, the idealized view holds that they stem from

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technical shortcomings of those charged with implementation not from some fundamental attribute of the reform process.

The basis for these divergent perspectives on the nature and difficulty of policy reform is an equally divergent conception of the underlying process. The idealized view is grounded in a framework of the policy process derived from mainstream economics. The model for the policy reform process is the market. To remedy an inefficiency, a factor or policy is changed, the market responds, and eventually a new, presumably more efficient, equilibrium is achieved. The same process is attributed to policy reform. Thus to redress an inefficiency found in the prevailing polices, a reform is introduced, and the economy responds until it has achieved a new, presumably more efficient, equilibrium.

It is true that there are some policy reforms, like removal of price controls or devaluation of the currency that may be conceived of in this fashion. However, there are many, like the FSSRP, that cannot. Thus a more encompassing framework is needed. Such a framework can be derived from the institutional perspective. Within this framework, policy reform is the process of substituting one set of institutional arrangements for another set of arrangements, where institutional arrangements are understood to mean the full range of formal and informal rules, regulations, procedures, and incentive sets in the economic, political, and social spheres that guide human interaction.

From this perspective, the prevailing policy regime is composed of a set of both formal and informal rules, regulations, procedures, and incentives that guide human behavior to a particular outcome. Equally important, there are advocates or stakeholders in the prevailing regime who benefit, in one way or another, from the way the regime operates and will resist alterations to the regime for fear of losing some or all of those benefits. Reform, in this view, is a complex undertaking. The desired end of the reform is a change in human behavior. To effect that change, a new set of institutional arrangements must be designed and put into practice that will yield the desired outcomes. Design of these arrangements is not a straightforward task. In addition, the usual policy handles available to reformers are formal rules and regulations. It is not always clear, in advance, how informal practices will interact with the new formal rules and procedures introduced in policy reform. The complexity and uncertainty means that reform needs to be seen as an iterative process, with various rules and incentives modified over time to elicit the desired social outcomes.

Further complicating matters is the issue of stakeholders. Reform will have its losers who can be expected to attempt to modify or thwart the design and implementation of the reform. Fortunately, reform also has its winners. The two groups can be expected to confront each other throughout the reform process. The speed and scope of the reform will be determined by the relative power of the two groups. This means that the reform process is inherently political and confrontational. It also means that the sustainability of reform is always precarious. The reformed policy regime must be generating enough benefits to its stakeholders and beneficiaries to withstand the pressures of those who would like to derail the reform. This means that designers and supporters of reform must not only be concerned about implementation in the short-run, but must consider how reform will persist over time.

The purpose of this paper is to describe the process of implementing reform in Cameroon's fertilizer subsector. The institutional perspective is used because it best accounts for the issues that USAID/Cameroon has had to confront throughout its involvement. The description of the reform process is done in three sections. Section II provides the context for the reform effort by describing the prevailing policy regime for the procurement and distribution of subsidized fertilizer. The preliminary phases of negotiating and designing the reform are presented in Section III. The design that emerged contained two thrusts consistent with the institutional view. One thrust was liberalization of the fertilizer subsector, essentially the dismantling of the institutional arrangements underpinning the public monopoly. The second thrust was privatization, essentially the creation of a new set of institutional arrangements -- financial and nonfinancial incentives, rules, and procedures -- that would assure private sector interest in the fertilizer subsector and public sector disengagement. Section IV covers the implementation of the FSSRP from October 1987 through early 1989 and raises the numerous issues that needed to be clarified and the pressures that had to be channeled to ensure the program was operational and successful. Some concluding remarks are presented in Section V.

SECTION II
PUBLIC MONOPOLY: THE OLD INSTITUTIONAL ARRANGEMENTS

Table 1 lists fertilizer consumption in Cameroon from 1980 to 1985 and the division of that consumption between unsubsidized and subsidized fertilizer. The table shows that for the period, subsidized fertilizer accounted for approximately 60 percent of all fertilizer consumption. It also shows that subsidized fertilizer consumption was growing more than twice as fast as total fertilizer consumption.

Table 1. Consumption of Fertilizer in Cameroon, 1980-1985

Year	Total Fertilizer Consumed (tons)	Total Subsidized Fertilizer Consumed (tons)	Subsidized Consumption as a Pct. of Total Consumption
1980/81	85,672	44,000	51.3%
1981/82	90,576	42,000	46.4%
1982/83	116,423	78,000	67.0%
1983/84	124,066	82,826	66.8%
1984/85	105,056	65,313	62.2%
Five Year Avg.	104,363	62,428	59.8%

<u>Source</u>: IFDC (1985)

Almost all of the unsubsidized fertilizer is imported and distributed by crop development parastatals, of which SODECOTON, the cotton parastatal, is the largest consumer. SODECOTON provides fertilizer and other inputs on credit to small-holder cotton farmers at the beginning of the crop cycle. These farmers then reimburse SODECOTON for the purchase of these inputs at full-cost on the sale of their harvests. Up to 1987, this system was self-supporting and functioned with relative efficiency. In 1988, because of SODECOTON's financial problems due to a depressed cotton market, the European Development Fund (EDF) began a two-year program to supply free fertilizer to SODECOTON (and other development schemes in northern Cameroon) for resale at full cost to its farmers. At the end of EDF program in 1990, the three northern provinces are scheduled to merge into FSSRF to form a uniform national program.[3]

The initial beneficiaries of subsidized fertilizer were small-holder arabica and robusta coffee growers. Cameroon produces approximately 25,000 tons of mild, highland arabica and 80,000 tons of lowland robusta each year. Of this approximately 90 percent of the arabica and 80 percent of the robusta are produced by farmers with holdings of one hectare or less. The stated rationale for supplying subsidized fertilizer to this segment was as partial compensation for the heavy taxation levied on the coffee sector by the GRC in terms of low producer prices and substantial export taxes. However, as the system evolved, producers of other crops, such a vegetables, were incorporated into the subsidized system. It is this expansion of the number of recipients that largely accounts for the growth of subsidized fertilizer summarized in Table 1.

In order to procure and distribute subsidized fertilizer, the GRC established a public monopoly jointly managed by the Ministry of Agriculture (MINAGRI) and FONADER (Fonds National de Developpement Rural; the rural development credit agency). MINAGRI was responsible for establishing quotas of subsidized fertilizer by province and by distributor and for the agronomic aspects of preparing and reviewing tenders. FONADER was the financing and contracting agent.

The tasks of importation, transportation from the port of Douala to wholesalers, and retail distribution were carried out by the private sector executing specific contracts for FONADER on behalf of the GRC. Although they were presumably efficient in carrying out their specific contractual tasks, these private sector actors were, however, disconnected. Each private sector actor was performing a separate contractual task without connection or integration with others involved in the marketing chain. To the extent that there was interaction, it was only through FONADER. This high level of centralization was the source of numerous problems and inefficiencies.

The problems began with the protracted procedure for issuing a public tender, reviewing bids, and awarding contracts. This process involved several ministries and created many opportunities for the exercise of bureaucratic discretion. In the award of contracts, there was pressure to divide them among numerous suppliers. This led to sub-optimally small contracts and awards to higher priced bidders. The numerous small contracts meant that importers brought into Cameroon fertilizer shipments which were subjected to high freight rates because freighters were not fully laden.

Once the fertilizer was delivered to Douala, the importer's responsibilities ceased. Due to delays in awarding transport contracts, fertilizer was often stored in Douala for lengthy periods. These delays not only produced high storage charges, but raised physical losses and led to deterioration in the quality of the fertilizer. Because of MINAGRI/FONADER's untimely deliveries, cooperatives, and other distributors, could not properly manage their stocks of subsidized fertilizer.

Further inefficiencies existed in the selection and utilization of subsidized fertilizer. First, fertilizer selected for subsidization was blended and bagged in Europe, often as a special order. Second, even for application on coffee, the selected formulations were not always the most efficient. And third, formulations designed for application on coffee were increasingly being used on food crops.

Thus, prior to 1987, the lack of connection and vertical coordination among the various private sector elements of the public monopolistic fertilizer marketing system was principally a consequence of economic policy constraints which interfered with the establishment of soundly integrated and cost efficient business practices. The net result of the inefficiencies in the system and the policy of uniform pricing was a budgetary drain of approximately FCFA 6-7 billion per year from 1985 to 1987. Moreover, even this high level of public expenditure was not meeting the needs of the intended beneficiaries as evidenced by the existence of an active black market. Where subsidized fertilizer was set at an uniform price of FCFA 45/kilogram across the country, black market fertilizer cost considerably more; FCFA 65/kilogram in the West Province in 1987, for example.

In addition to tolerating obvious inefficiencies, the public monopoly made few demands on the capacity of the private sector participants, be they importers, distributors or commercial banks. The high degree of centralization in the system meant that all decision-making and discretion resided in the public sector. The private sector was given limited, discrete tasks which required little appreciation of the wider environment.

For example, importers under the public monopoly were, in almost all instances, "mail box agents" working on commission for European fertilizer brokers and manufacturers. The tasks of the local agents were limited to submitting bids into the public tenders, ensuring positive outcomes from the review process, obtaining importation contracts/import authorizations and licenses, facilitating the port clearance process, delivering the fertilizer into MINAGRI/FONADER's warehouses, and ensuring payments from MINAGRI/FONADER. Because most of the important marketing and financial functions were assumed either by the GRC or by foreign brokers or manufacturers, fertilizer importers in Cameroon did not, in general, have to negotiate purchase contracts with foreign brokers or manufacturers or transport contracts with foreign shippers. They did not have to negotiate with local commercial banks for financing or the modalities for issuance of letters of credit. And they did not have to negotiate sales contracts with distributors or retailers.

A similar limited capacity was required of the commercial banking sector. They had business relationships with Cameroon's importers, but those relationships were generally superficial. They were limited, in most instances, to checking accounts where payments from MINAGRI/FONADER passed through importers' accounts in Cameroon to the accounts of foreign brokers or manufacturers abroad.

The same situation was obtained at the distribution level. Because of quantitative allocations to end-users and the distribution monopoly, cooperatives were totally dependent on MINAGRI/FONADER not only for the availability of fertilizer and timing of delivery, but for all financial aspects of fertilizer distribution. As retail distributors, cooperatives' role was limited to local distribution and retail sales. Consequently, cooperatives seldom had to worry about cash flows or seek credit from commercial banks to finance fertilizer distribution.

In sum, the institutional arrangements at the cooperative level, like those at importer and banking levels, were designed to limit private sector actors to specific, limited roles. These limited roles did not make heavy demands on the financial or business capacity of the ~~public~~ private sector. Moreover, without adequate coordination by the public sector, the public monopoly system was plagued with inefficiencies and delays.

SECTION III
TOWARD NEW INSTITUTIONAL ARRANGEMENTS: POLICY DIALOGUE AND PROGRAM DESIGN

Policy Dialogue

By 1985 the numerous inefficiencies described in the previous section were widely apparent. This was compounded by a decline in world oil and agricultural commodity prices. The resulting drop in the GRC's revenues was beginning to force the government to examine ways to reduce budgetary expenditures. MINAGRI, sensing the need for reform, asked USAID/Cameroon to conduct a comprehensive review of the fertilizer subsector. USAID/Cameroon contracted with the International Fertilizer Development Center (IFDC) to perform the study.*

Upon completion of IFDC's research in late 1985, USAID entered into a dialogue with the GRC over the policy options that lasted through 1987. In order to dialogue meaningfully with the five ministries which were involved in the procurement of subsidized fertilizer and the ONCPB (the national export crop marketing organization), an ad hoc interministerial committee was created at USAID's instigation. That ad hoc committee was later formalized into the interministerial Technical Supervisory Committee (TSC) which includes representatives of the Ministries of Plan, Finance, Agriculture, Industrial and Commercial Development, Higher Education/Computer Services/Scientific Research and ONCPB. The TSC has been monitoring FSSRP's implementation since 1987.

Together, USAID and the GRC explored all reform options. The option of producing fertilizer in Cameroon versus importing fertilizer from Europe was examined first. Based on the recommendations of the IFDC report, the option to produce fertilizer in Cameroon was discarded because it was not a viable financial or economic proposition. Indeed, even with heavily subsidized natural gas, the IFDC report pointed out that fertilizer produced in Cameroon would still cost more than fertilizer imported from Europe.

Given that Cameroon would continue to import fertilizer produced elsewhere, the TSC and USAID considered three options:

- Continue with the existing MINAGRI/FONADER importation/distribution public monopoly, or

- Adopt the IFDC's recommendation and create a new public-private joint venture monopoly to whom a declining subsidy would be paid,[5] or

- Liberalize and privatize the importation and distribution of subsidized fertilizer completely.

Among these options, USAID/Cameroon and senior GRC officials leaned towards the option of complete liberalization and privatization while the stakeholders in MINAGRI/FONADER monopoly argued for the rehabilitation of the public monopoly. Presidential and ministerial level officials favored significant reform because of expected gains in efficiency and a reduction of budgetary expenditures, while the mid-level public sector bureaucrats were concerned with protecting the jobs, prestige, and the rents associated with the public monopoly. Thus, at the onset of the policy dialogue, USAID was confronted with diverging interests and commitment to policy reform within the GRC.

The debate over restructuring the subsidized fertilizer marketing system dragged on into 1987. During the same period Cameroon's economic situation steadily worsened as oil and commodity prices continued to decline. With a looming economic and budgetary crisis, the GRC no longer had the financial resources to continue the generous fertilizer subsidy. Thus, by 1987, the required financial support for the existing MINAGRI/FONADER monopoly and for the quasi-public monopoly recommended by IFDC was no longer available. The only viable option left was substantial policy reform leading to the privatization of the fertilizer subsector.

As this option became a more certain outcome, USAID/Cameroon stepped up its dialogue with the private sector. This dialogue revealed impediments other than the weak and inefficient institutional arrangements described in Section II. These impediments included the deteriorating business climate and the labyrinthine procedures and rules set up by the public sector to create opportunities for rent-seeking.

With respect to the business climate and business practices, the close consultation with businessmen pointed out that fertilizer importers were reluctant to import fertilizer for MINAGRI/FONADER because they were victimized by sizeable public arrears and delays in payments by the GRC. That reluctance was further exacerbated by the growing liquidity problem which had started to plague the banks in Cameroon. In addition, commercial banks involved in financing fertilizer importation were extremely risk-averse; they regularly required financial guarantees of at least 100 percent of the value of the letter of credit ~~for~~ from their clients. And finally, while the availability of private capital in Cameroon was, by African standards, adequate, it was found that only a few commercial banks and some selected importers had sufficiently large and secured financial coverage to issue letters of credit which were accepted by international banks outside of Cameroon.

Dialogue with businessmen also allowed USAID/Cameroon to better understand the difficulties and high transaction costs imposed by the rules and procedures for doing business in Cameroon. Among the more constraining rules identifying as applying to the fertilizer subsector were the necessity of using Cameroon's shipping line and obtaining an import authorization from the Ministry of Industrial and Commercial Development (MINDIC). This latter requirement was particularly useless because the object of this protective measure -- Cameroon's fertilizer production plant -- had ceased operation in the early 1980s.[6]

The value of this dialogue with businessmen indicated the need to continue working closely with the private sector during the design phase and the necessity of instituting an informal information-gathering network which included commercial banks, fertilizer manufacturers, foreign brokers, local importers, cooperatives, farmers and donor organizations. The role of this information network has proven indispensable to the successful implementation of the FSSRP.

This dialogue with the private sector also pointed to the need to do more than simply remove economic policy constraints in order to successfully implement policy reform. Closing down the public monopoly would only entail dismantling the old set of institutional arrangements. A new set of institutional arrangements -- supportive of a private market system -- needed to be established in its place. It was during the design of the FSSRP that this general objective had to be developed in detail.

Program Design

Once the GRC indicated its willingness to pursue significant reform in the fertilizer subsector, design of the FSSRP began in earnest. The obvious shortcomings of the public monopoly supplemented with the insights gained through policy dialogue pointed to a program that contained two major elements: an economic liberalization element and a privatization element.

The economic liberalization element would encompass those actions necessary to dismantle the public monopoly and its supporting institutional arrangements. Included in this element would be the cancellation of public procurement, a public announcement campaign in which the GRC asserted its intention to completely privatize the importation and distribution of subsidized fertilizer, and a gradual elimination of the subsidy.

The privatization element would entail those actions necessary to replace the public monopoly with a sustainable, competitive private market. Clearly the cornerstone of the new system would be financial incentives that were sufficiently attractive to induce private sector participation. Equally important, given the deteriorating business climate and the mutual distrust between the public and private sectors, would be steps to reduce the role of government and thereby the risks and uncertainties faced by private sector participants. While financial incentives and reduced transaction costs might attract private sector interest, the privatization element also need to assure that the private sector interest was translated into sustained involvement in the fertilizer subsector. To do so, the privatization element needed to confront the limited capacity of importers, distributors, and banks to perform all of the tasks involved in fertilizer procurement and the lack of experience they had in working with one another. In short, the privatization element also needed to promote private sector capacity-building.

Economic Liberalization Element

Most of the components of the economic liberalization element were easy to identify: (1) eliminating the public tender, (2) abolishing import quotas, (3) removing restrictions at all distribution levels, (4) ending quantitative allocation to end-users, (5) abandoning the uniform pricing structure, and (6) eliminating the subsidy. Designing the differentiated pricing system that would replace the uniform one and developing the subsidy elimination plan were more complicated. As the design of the differentiated pricing structure has more to do with establishing financial incentives it will be dealt with in the discussion of the privatization element.

The first step in developing the subsidy elimination plan was gaining agreement over the definition of subsidy. USAID proposed that the subsidy per unit for fertilizer be defined as a percentage of total delivered cost at farm level inclusive of marketing margins (i.e., Total Delivered Cost = CIF landed Douala cost + handling + storage + transport + interest costs + margins). USAID also proposed that the levels of subsidy be reduced from 65 percent in 1987 to 45 percent in 1988, 30 percent in 1989, 10 percent in 1990 and zero percent in 1991.[7] The GRC accepted USAID proposed definition of the unit subsidy and agreed to completely phase out the fertilizer subsidy by 1991. However, the GRC wanted to keep the schedule of subsidy elimination flexible pending further investigation and research. USAID acquiesced to the GRC proposal for greater flexibility.

Further, in order to assure continued liberalization and adherence to the subsidy removal plan, the FSSRP was designed to incorporate a measure of conditionality. The $17 million program was divided in five tranches. The first tranche was to be disbursed once the necessary policy liberalization measures had been taken. The remaining four tranches were to be disbursed annually upon evidence that the liberalization, including subsidy removal, was continuing. The underlying assumption was that after four years of progressive liberalization, private fertilizer distribution networks will be well enough established for sustained participation in the subsector and, therefore, the process of liberalization and privatization hard to reverse.

All of the liberalization elements were incorporated into the FSSRP Program Grant Agreement. But beyond removing the obvious economic policy constraints, there was a whole set of formal and informal institutional arrangements which regulated the relationships of importers, cooperatives/distributors and bankers within the MINAGRI/FONADER monopoly. The liberalization was expected not only to alter the formal policies and procedures, but to result in the disintegration of the informal arrangement as well. The void that would be left by dismantling the old regime needed to be filled by new formal and informal institutional arrangements introduced by the privatization element.

Privatization Element

As noted earlier, the privatization element needed to contain two aspects. The first was the provision of sufficient incentives to assure public sector participation. In terms of financial incentives, the FSSRP was designed to incorporate a differentiated pricing structure in lieu the uniform prices that prevailed under the private monopoly. The FSSRP also provided financial incentives in the form of credit lines available to importers and distributors at preferential rates. And in terms of non-financial incentives, the FSSRP contained a number of provisions for reducing the risk and uncertainty for the private sector, prinicipally by articulating a new, less interventionist role for the public sector.

The second aspect of the privatization element was developing the capacity of the private sector -- both in terms of the individual participants and the sector as a whole -- to undertake fertilizer importation, distribution, and financing in an efficient and sustainable fashion. The design of both aspects are described in the remainder of this section.

Incentives. The principle incentive to the private sector is price. From the private sector's standpoint, the major shortcoming of the uniform pricing structure was that it made no provision for the costs of distribution beyond the wholesale level or for profit margins of any kind. The uniform pricing structure had another serious shortcoming as well in that it promoted inefficient fertilizer use by farmers. All fertilizer, irrespective of composition, sold for the same price. Thus a farmer who bought a bag of ammonium sulfate which contained 21 percent nitrogen paid the same price as a farmer who bought a bag of urea which has twice as much nitrogen. Both of these shortcomings were to be addressed by introducing a system of differentiated prices based on transportation and distribution costs and on fertilizer nutrient content.

Although the differentiated pricing system was an improvement over uniform pricing, it was not true market-based pricing. However the GRC was not willing to move immediately to full decontrol. As long as the it was financing the subsidy, the GRC insisted on maintaining some control over prices so as to ensure that the subsidy was benefitting the farmer. Thus USAID and GRC agreed to incorporating into FSSRP a pricing structure that established target ceiling prices for each province (to account for differences in transportation and distribution costs) and for each fertilizer type within each province (to account for differences in nutrient content).

A second type of financial incentive to be provided in the FSSRP was the creation of a revolving credit fund with two credit lines -- one for importation, one for distribution -- available under preferential lending conditions. Such a revolving credit fund was seen as a way to provide financial resources to ease the entry of smaller, less credit-worthy private sector actors and to redress the growing liquidity problems in the commercial banking structure caused by the continuing economic crisis. The capital for the fund would come from the local currency deposited by the GRC to match a US dollar cash grant from USAID to the GRC. Management of the fund was to be handed to a local commercial bank designated as a fiduciary bank.

The introduction of a fiduciary bank was intended to address the problems of delayed and uncertain payments by the GRC under the public monopoly that had be noted by the private sector. The fiduciary bank's sole role in the FSSRP is to manage funds placed in its charge. For this service, it receive a management fee. Under the FSSRP, the fiduciary bank not only manages the credit funds, but the subsidy payments as well. Again, to reduce private sector uncertainty and risk, the FSSRP design included a provision that the GRC would make a lump-sum deposit of funds intended to be the subsidy for a given year in an account of the fiduciary bank. The fiduciary bank thus disburses credit and subsidy funds to importers or distributors once certain specific conditions have been met.

Capacity Building. Given the limited capacity of the private sector under the public monopoly and the far greater demands on business and sales acumen of the privatized regime, it became apparent that private sector capacity building would be necessary. This would take two forms. One form was widespread information dissemination. Dissemination was needed, first of all, to inform the private sector of the GRC's intention to liberalize and privatize the fertilizer subsector. As a next step, information needed to be disseminated to various potential participants -- commercial banks, importers, and distributors -- on how to become involved. The second form was informal advisory services to the private sector. For USAID this was simply an extension of its role as technical advisor to the GRC.

SECTION IV:
PROGRAM IMPLEMENTATION: INSTITUTING NEW ARRANGEMENTS

The implementation phase of the FSSRP began on September 29, 1987 with the signing of two agreements between the GRC and USAID/Cameroon. One of the agreements was the $17 million program grant. The program grant stipulated that all of the liberalization actions noted in Section III had to be accomplished before disbursement of the first tranche of funds. The grant also contained the conditions related to continued liberalization and subsidy removal that had to be fulfilled before the disbursement of the subsequent tranches. Finally, the program agreement also contained clauses related to the privatization elements, notably the acceptance of the differentiated pricing and unit subsidy structure advocated by USAID.

The second agreement was a $3 million project grant. The project funds were available to support and monitor the implementation of the overall program. In practice, the funds have been used principally to cover some of USAID's program management costs and to support various activities designed to build the capacity of the public sector.

Implementing the Liberalization Element

Given the conditionality attached to the disbursement of the first tranche of program funds, the first implementation priority for the GRC and USAID was satisfying the conditions precedent and, in so doing, dismantling the public monopoly. This occurred quite rapidly. Some of the conditions, such as abolishing public tenders, were essentially met once the program agreement were signed. Other conditions, like formulation of the subsidy removal plan, took a little longer.[8] All were completed by January 1988 and the transition from public monopoly to privatized system was publicized in the official media in the first months of 1988.

Implementing the Privatization Element

Compared to the ease with which FSSRP's economic liberalization element was implemented, it has been much more difficult and time consuming to implement FSSRP's privatization element. The TSC and USAID had intended to launch FSSRP in January 1988 in order to make fertilizer available for use during the applications of March-April and September-October in that same year. However, it took until May 1988 to put in place the procedures necessary for the private sector to commence signing contracts and until August 1988 for the FSSRP to be fully operational. As a result, fertilizer only reached the countryside around November 1988.

Operationalizing the Privatized System

Part of the reason for the delay was that the three key tasks in operationalizing the new privatized system were much more technically demanding than dismantling the vestiges of the public monopoly. Establishing the differentiated pricing structure with adequate financial incentives, developing the management contract between the TSC and the fiduciary bank so as to minimize government intervention into the day-to-day management of the program, and designing the procedures governing access to the subsidy and credit funds that promoted the long-term objectives of the program each necessitated considerable staff work by USAID to generate realistic proposals and get them ratified by the TSC. To provide a sense of the range of issues that need to be confronted in the implementation process, each of these three key task will be described briefly.

Establishing Differentiated Pricing. To design the differentiated pricing system, USAID had to collect data on fertilizer import prices, port handling costs, transport and storage costs and profit margins so as to arrive at the total delivered costs to the farmer.[9] USAID was able to get accurate data through the informal private sector information network it had developed. However, these empirically derived costs had to be reconciled with those which were generated with the methodology used by MINDIC's Directorate of Price, Weights and Measures (DPWM).

Following the DPWM's regulations, fertilizer is subject to "administered" pricing methodology ("homologation des prix").[10] Applying this methodology, fertilizer retail price to the farmer is determined to be the import Douala price plus 45 per cent of that price as gross margin plus transport cost. The transport cost is the product of a set distances to provincial centers multiplied by a set transport rate ("valeur mercuriale").[11]

Because fertilizer retail prices generated by the DPWM methodology were lower than USAID's actual estimated total delivered costs, it appeared that the administered pricing structure would not provide sufficient financial incentives for the private sector. Consequently, USAID proposed to the TSC, and the TSC agreed to seek a relaxation of DPWM's regulations. USAID entered into negotiations with the DPWM on behalf of the TSC. Eventually a compromise was reached.

Although the administered pricing methodology would be retained, sufficiently generous margins of error were incorporated in estimating the import price and distances from the port of Douala to the final destination that would insure that the resulting prices were at least a high as those developed through USAID's empirically-based calculations. The TSC approved that USAID-MINDIC compromise and the first set of differentiated prices for subsidized fertilizer was published in the MINPAT/MINDIC interministerial decree of May 9, 1988 (see Attachment I).

Developing the Management Contract. Although the management contract between the fiduciary bank and the TSC was a fairly modest document, its significance was far greater. The contract did nothing less than formalize the new institutional relationship between the public and private sectors in the fertilizer sub-sector.[12] The contract ensured that the GRC was no longer directly involved in the day-to-day management of the either the subsidy or the credit funds. The contract also established the framework within which new institutional arrangements would be developed between commercial banks, importers, distributors and fertilizer end-users that would support a privatized fertilizer subsector.

Designing Access Rules to Credit and Subsidy Funds. Designing the rules and procedures governing access to the credit and subsidy funds was a very complex task because it not only entailed establishing such obvious factors as loan maturities, interest rates, and debt/equity ratios, but essentially provided the institutional framework under which commercial banks, importers, distributors and end-users would operate.

Given the complexity of the task, USAID's strategy was to proceed in iterative steps that moved from general propositions to more and more specific rules. In this process USAID was guided by the advice provided by the TSC and the informal private sector network.[13] Thus USAID first studied the physical flow of fertilizer and designed a preliminary set of financially motivated institutional arrangements which should support that physical flow (see Attachment II). These preliminary arrangements included simple statements about the role of the fiduciary bank, the commercial banks, characteristics of the credit lines, and a simple method for disbursing the subsidy fund. These preliminary ideas were refined and elaborated iteratively until a fairly detailed set of rules and procedures were developed covering:

- the relationship between the fiduciary bank and participating commercial banks;
- the criteria for determining whether an importer or distributor was eligible for access to the credit or subsidy funds;
- the procedures for earmarking and disbursing subsidy funds; and,
- the conditions attached to the importation and distribution loans (maturity, interest rates, debt/equity ratios) and the procedures for earmarking and disbursing loan funds.

All of these rules and procedures were published in a General Information Pamphlet by the TSC in April 1988 (compare Attachments II and III for the difference in the level of complexity and detail).

<u>Modifying the Role of the Public Sector</u>

One aspect of implementing the privatization element was designing and introducing the financial and nonfincial incentives intended to induce private sector participation in fertilizer marketing. Another aspect was reducing the disincentives and transactions costs associated with doing business. In the case of FSSRP, this meant modifying the role of the public sector; reducing its role from the dominant actor in the fertilizer procurement system to a much more restricted part as a facilitator and information source. One critical step in this direction was removing the public sector's operational role by introducing the concept of the fiduciary bank. But this alone was not sufficient. In addition, the public sector needed to accept its reduced involvement and its new function to support and facilitate the operation of the public sector. It has not been an easy transition.

One source of difficulty has been the efforts of disgruntled stakeholder in the public monopoly to impede the implementation of FSSRP. Another source has been the deeply held mutual suspiscion of the private and public sectors. From the public sector's perspective, the private sector is greedy and selfish and the functioning of the market cannot be expected to channel these motives into useful social ends; only the state can. From the private sector's view, the public sector is interested in control only to interfere and obstruct its efficient operation. Given this mutual mistrust, there has been real uncertainty on the part of the public sector as to the benefits of the privatized system touted by USAID and there has been a tendency to cast any implementation problem in terms of private sector venality. By the same token, any reticence on the part of the public sector tended to be seen by the private sector as a move to reassert control. Under the circumstances, USAID had an important role to assure both groups of the positive intents of the other.

A third source of difficulty stemmed from trying to overlay this new, supportive role on a bureaucracy whose internal institutional arrangements were quite different. The new role called for the public sector to be responsive and to adopt a supportive, even subordinant, role towards the private sector. Yet the instutitonal arrangements within the bureacracy was highly centrallized, cherished discretionary power particulalry toward the private sector, and had few incentives for responsiveness or performance. Given the strength of the instutional regime within the public sector, moving the bureaucracy toward its new role has not been easy.

The combination of these sources of difficulty also delayed the launching of the 1988 campaign. First, there were the changes in the nature and level of contacts between USAID and the GRC. While the negotiations between USAID and the GRC over FSSRP's policy reform program during the design phase was limited to a selected group of high-ranking GRC officials, the implementation of FSSRP necessitated the involvement of several ministries and, within each ministry, of numerous middle level bureaucrats. Given the highly centralized Cameroonian bureaucracy, where information is not well-disseminated and did not filter down through the hierarchy, these middle-level GRC officials were, in most instances, not informed of and did not immediately comprehend the rationale behind the decision of the very top layer of the GRC bureaucracy to undertake the reform. This required USAID to spend a considerable amount of time early in the implementation phase essentially renegotiating the terms of the grant agreement with a different cast of GRC representatives. The renegotiation was extremely time-consuming and disruptive and caused delays without adding anything substantive.

Second, the lack of performance incentives and accountability in the GRC bureaucracy rendered the timely launching of FSSRP practically impossible. Indeed, ~~the~~ a significant factor in the late launching of the 1988 campaign was the TSC's inability to control the pace at which GRC implementation of the reform progressed. Implementation progressed when the good will of the GRC representatives existed; when the good will disappeared, progress ceased.

The extreme case of this kind of institutional problem was exemplified by the delayed issuance of the price/subsidy interministerial decree. By February 1988, the TSC had completed a proposed ceiling price and subsidy schedule for the 1988 campaign based on USAID's estimates of total delivered costs. The price/subsidy schedule was the last policy element needed to operationalize the privatized system. The TSC sent, through the MINDIC representative, its proposed price/subsidy schedule to MINDIC's DPWM for review and approval. The TSC price/subsidy proposal was not acted upon for three months. Under pressure from the Presidency, DPWM finally responded; only to tell the TSC that its proposal was not consistent with existing rules and regulations. Once the DPWM's position was known, it took USAID only two days to negotiate a compromise with DPWM on behalf of the TSC. The price/subsidy interministerial decree was finally officially issued on May 9, 1988.

Monitoring Implementation

After FSSRP became operational in May 1988, the main implementation task was to monitor the response of the private sector to the new set of institutional arrangements provided under the FSSRP. Based on the first year's experience, FSSRP appears to have identified a set of financial and nonfinancial incentives and appropriate rules sufficient to induce private sector in the marketing of subsidized fertilizer. However, it quickly became apparent that there was a lot of room for improving the arrangements.

A number of problems arose as private sector actor began to test the new system. These problems dealt with such issues as delays in determining eligibility to receive subsidy and credit funds, too rapid expiration of loan earmarking periods, and maturity dates of loans that rendered them almost useless. Indeed, of the seven contracts signed between importers and cooperatives, almost all of them encountered problems of one sort or another. At the same time, it was important for establishing the program's credibility and for limiting public sector intervention not to make ad hoc modifications to the rules and procedures. Under the circumstances, USAID's strategy was to monitor the progress of the various contract intensively and to intervene directly and forcefully to resolve whatever procedural and institutional problems arose without altering the existing institutional arrangements.

This strategy often meant that USAID had to adopt a confrontational approach with various ministries and sometimes with the TSC itself. The dificulties in resolving these difficulties stemmed from the same sources of reluctance by the public sector to adopt a more accommodating role toward the private sector: the efforts of stakeholders in the public monopoly, the mistrust of public sector motives, and the internal institutional arrangements that did not provide incentives to responsiveness. Usually USAID intervention with the TSC or with the particulalr bureau was sufficient to resolve the problems. However, on occassion, USAID had to resort to pressuring high level officials supportive of reform to use their influence.

Besides trying to resolve problems, another reason for monitoring implementation was to identify those institutional arrangements -- rules, prcedures, and incentives -- that needed to be modified to make future annual campaigns run more smoothly. In other words, the iterative process used in design would continue to be used in implementation. This approach was codified in the program grant agreement which called for annual reviews of the policy reform program to fine tune its various elements. The annual review for 1988 was conducted in December by a team made up of TSC representatives, USAID, and an outside consultant. The resulting report served as a basis for a workshop held in January 1989 that provided an opportunity for the public and private sectors to meet and discuss their experience with the first year of the program. While all private economic operators welcomed the business opportunities offered by FSSRP, they were predictably critical of procedural difficulties and delays which increased transaction costs and caused uncertainty. At USAID's instigation, the participating businessmen at the workshop organized themselves in working groups to draft proposed changes in FSSRP's formal and informal arrangements as they were defined in the April 1988 General Information Pamphlet. Those proposed changes were presented to the TSC and thoroughly discussed by the participants of the workshops. Once agreements were reached between the TSC and private economic operators, the final changes were recorded by the TSC and were used as the basis to revise the procedures for the determination of eligibility to FSSRP's loan and subsidy programs and the earmarking, granting and disbursements of loan and subsidy funds as they were defined in the April 1988 General Information Pamphlet.[14]

USAID drafted a revised General Information Pamphlet by incorporating all the proposed changes presented by the participants of the January workshop. The TSC approved the revisions and published them in February 1989 (see Attachment IV). Within the framework set by the formal and informal arrangements defined by the February 1989 General Information Pamphlet, the 1989 FSSRP campaign has been progressing smoothly without ~~the~~ most of the pitfalls of the 1988 campaign.

Building Private Sector Capacity

In addition to operationalizing the privatization component and monitoring implementation, the third necessary element in implementing the privatization element was building the capacity of the private sector. One aspect of the capacity building effort was information dissemination. The private sector needed to be informed of the changes in the fertilizer subsector and the steps they needed to take to particiapte. The second aspect was moving from information dissemination to informal technical assistance. USAID played this role with importers, distributors, and commerical banks.

Besides the lack of appropriate skills to deal with banks and fertilizer producers, brokers and users, most importers did not understand the new formal and informal institutional arrangements which prevailed in 1988 with the liberalization and privatization of the subsidized fertilizer subsector. For importers questions related to user's identity, contract negotiation, cash flow, loan application, bank guarantee, marketing plan became very relevant. Importers need to be advised of such things.

Like importers, cooperatives had very little comprehension of the new formal and informal institutional arrangements which prevailed in 1988 with FSSRP's policy reform. For cooperatives, questions related to fertilizer need, importer's identity, contract negotiation, cash flow, loan application, bank guarantee became very relevant under FSSRP. Cooperatives needed to be advised of such things. Since 1988, USAID spent a great deal of time providing advisory services to all prospective importers, cooperatives and distributors. The rationale is that by relieving the information constraint through identification of the new formal and informal institutional arrangements more economic operators will participate in the importation and distribution of fertilizer and the process of privatization will progress faster.

At the level of banks and importers, USAID focused on clarifying and explaining the role of the fiduciary bank, the functioning of FSSRP's loan and subsidy program in relation to the physical flow of fertilizer and the nature of FSSRP's document flow in relation to FSSRP's financial flow (see Attachment V). At the level of cooperatives and distributors, USAID focused on clarifying and explaining the process of tender and price consultation and the processes of contract negotiation (see Attachment VI).

SECTION V
CONCLUDING REMARKS

The signing of FSSRP's grant agreement basically signified the successful implementation of the economic policy reform component. Its successful implementation was the product of an active and labor-intensive policy dialogue between USAID/Cameroon and the GRC during the research and program design phase which lasted from 1985 to 1987. In retrospect, the debate between USAID/Cameroon and the GRC over the validity of FSSRP's economic liberalization component was limited to the very top layer of the GRC bureaucracy. The GRC's decision to sign that grant agreement with USAID/Cameroon represented the opinion of the few GRC leaders whose foresaw and successfully defended Cameroon's national interest against stakeholders in the public monopoly. The current economic and budgetary crisis is presumably helping reform minded GRC leaders advance their cause.

The relative ease with which the economic liberalization element was successfully implemented should not, however, be construed as the attainment of the privatization objective. Attainment of the privatization goal has been far more complex and challenging than the implementation of FSSRP's economic liberalization element. It will continue to be so.

The first year's experience under FSSRP showed that the new institutional arrangements worked; the removal of economic policy constraints and provision of financial incentives were sufficiently attractive to generate private sector involvement in the importation and distribution of subsidized fertilizer. However, the transactions costs of the procedural delays were significant. But it is clear from the results of the first campaign that the financial gains built into FSSRP more than offset the transaction costs. As a result, the FSSRP's incentive system will be maintained at least at its 1988 level in 1989 while efforts will be made to lower transactions costs.

However, it is expected that, under the best circumstances, some level of institutional difficulty will persist in the implementation of FSSRP as long as the GRC bureaucracy's mode of operation remains one that, from the private sector's point of view, controls to interfere or obstruct. Given the GRC's current mode of operation, USAID will continue to closely monitor every contract going through FSSRP system to ensure progress in the implementation of FSSRP's privatization goal until complete privatization will be achieved. USAID will continue to rely on the private sector information network to identify technical and institutional bottlenecks in the marketing system and on access to the GRC's leadership to remove those bottlenecks. As long as the private sector information network is functional and access to the GRC leadership can be productively and promptly activated, USAID can successfully implement FSSRP's privatization element.

Besides the private sector information network and the access to the GRC's leadership, the flexibility and adaptability of FSSRP's implementation process constituted essential elements of its relative success in 1988. Indeed, FSSRP's implementation process was, and will remain, an iterative process. That process recognized, at the outset, that the implementation began with inadequate information and data. However, each implementing step will generate additional information and data that will get fed into the next step of the implementation process to improve and strengthen that process to lead FSSRP closer to complete liberalization and privatization.

In Cameroon, where the bureaucracy is devoid of performance incentive, heavily centralized within which information is restricted and burdened with tremendous individual discretionary power, all policy reforms leading to liberalization/privatization and requiring broad based implementation by middle level GRC officials should, ideally, be preceded by a reform of the civil service system. Without performance incentives, few GRC officials will be induced to implement policy reform, one of the more challenging and demanding economic development activities. Without wholesale decentralization of the bureaucracy, adequate flow of information, clearly defined job description and rules of accountability for GRC officials and overall policy liberalization, any sectoral liberalization and privatization attempts similar to FSSRP will be viewed by GRC officials as a loss of bureaucratic control and discretionary power and will, thus, be resisted through, at best, "foot dragging" and, at worst, outright "obstruction."

Given the large size of the public work force and its role as the power base for the GRC, a wholesale reform of the civil service system will be extremely difficult and will, therefore, not be forthcoming any time soon. Thus, any sectoral liberalization attempt a la FSSRP will be institutionally extremely difficult.

The experience of FSSRP in 1988 showed that, while institutional difficulties were constraining, they were, however, not binding. Given close monitoring, good private sector information network and access to the GRC's leadership, progress toward complete liberalization and privatization of the targeted subsector can be achieved. FSSRP's experience also demonstrated that the signing with the GRC of an agreement for sectoral policy reform constituted a relatively easy task compared with the broad based implementation process which was aimed to transform, within a reasonable period of time, a heavily subsidized public monopoly into a subsidy free self-sustaining private procurement system. USAID's focus on provision of advisory services to private economic operators through the identification of formal and informal institutional arrangements appears to be essential to the progress achieved by FSSRP in the privatization process.

ENDNOTES

1. Cooperatives are considered privately owned entities in this paper.

2. The results of the 1988 campaign can be found in Abt Associates, Privatization of Fertilizer Marketing in Cameroon: First-Year Assessment of the Fertilizer Sub-Sector Reform Program, Technical Report, June 1989, Abt Associates Inc., Washington, D.C.

3. Commission Des Communautés Européennes, Direction Générale du Développement, Programme Spécial d'Importation d'Engrais (PSIE), VIII/754/88-FR, 1988.

4. International Fertilizer Development Center, Cameroon Fertilizer Sector Study, May 1986, Muscle Shoals, Alabama, U.S.A. The issue of efficiency of the MINAGRI/FONADER procurement system had already been examined as early as 1982 in the World Bank Agricultural Input Supply in Cameroon, Volumes I and II, June 1983, Elliot Berg Associates, Alexandria, Virginia, U.S.A.

5. The IFDC recommendation amounted to a rehabilitation of the existing MINAGRI/FONADER public monopoly.

6. Cameroon's only fertilizer production plant, SOCAME, built in the ~~early~~ late 1970s went bankrupt within two years because of its inability to withstand foreign competition.

7. See "Program Grant Agreement Between the Republic of Cameroon and the United States of America for Fertilizer Sub-Sector Reform - AID Program No. 631-K-601," September 29, 1987, section 6.4.h and Annex I.

8. See Ministère du Plan et de l'Amenagement du Territoire (MINPAT), "Plan d'Elimination de la Subvention et Méthode de Paiement de la Subvention Dans le Cadre de l'Accord de Subvention au Programme de Réforme du Sous-Secteur Des Engrais (PRESSE) (No. 631-K-601)," Lettre No. 0041/MINPAT/DP/D, 8 Janvier 1988.

9. Throughout this paper, the purpose of explicitly identifying USAID's role is not to claim credit for the work which had been done. Rather, it is to underscore the nature, magnitude and importance of timeliness of the technical assistance.

10. Elements of the methodology used by DPWM for the determination of fertilizer administered prices are contained in "Arrêté No. 004/MINEP/DPPM du 2 Février 1982 Fixant les Eléments Constitutifs Du Prix de Revient Des Produits Importes et des Produits de Production Locale," pp.21-38; "Arrêté No. 100/MINDIC/DPPM Du 12 Décembre 1988 Fixant Les Elements Constitutifs du

Prix de Revient et les Marges Bénéficiaires Applicables Aux Produits Importés, Aux Produits de Fabrication Locale et Aux Prestations De Services," and "Arrêté No. 48/MINCI/DPPM/SDP/P3 du 4 Juillet 1988 Fixant Les Tarifs des Transports Routiers Des Marchandises."

11. In spite of repeated inquiries by USAID, MINDIC's DPWM could neither validate the relevance of a gross margin equal to 45 percent of the import price nor show how the transport unit cost of FCFA 31.75 per ton/km ("valeur merceuriale") was calculated in relation to the current gasoline price.

12. "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) Fund in Cameroon," signed on March 30, 1988.

13. The author would like to acknowledge the inputs made by Mr. Claude Touitou, former Fondé de Pouvoirs of the Société Générale des Banques au Cameroon (SGBC), Mr. Lafont, former Directeur de Crédit of the Banque Internationale du Commerce et de l'Industrie-Cameroon (BICIC), Mr. Jean-Luc Richard, former Directeur Général de la Société d'Engrais et de Produits Chimiques d'Afrique Equatoriale (SEPCAE), Mr. Songwe E. Bongwa, General Manager of Hemason International and Mr. Stefan Rudin, General Manager of Bolisse A/G.

14. Secretariat General, Rapport du Seminaire - Atelier sur PRSSE - Dschang. Programme de Reforme du Sous-Secteur Engrais, MINPAT, Fevrier 1989.

Attachment I

MINCI/MINPAT ORDER OF MAY 3, 1988
FIXING FERTILIZER CEILLING TARGET SUBSIDIZED FARMGATE PRICES
AND UNIT SUBSIDIES

Summary Table 1/

	NPK 20-10-10	NPK 12-6-20	NPK 10-30-10	Ammonium Sulfate 21% N	Urea 46% N
West Province 2/					
- Target subsidized farmgate price	73,450 (67%)	70,700 (67%)	75,350 (67%)	51,450 (68%)	57,900 (68%)
- Unit subsidy	36,600 (33%)	35,000 (33%)	37,600 (33%)	23,800 (32%)	27,500 (32%)
North-West Province					
- Target subsidized farmgate price	78,250 (68%)	75,500 (68%)	80,150 (68%)	56,250 (70%)	62,700 (70%)
- Unit subsidy	36,600 (32%)	35,000 (32%)	37,600 (32%)	23,800 (30%)	27,500 (30%)
South-West Province					
- Target subsidized farmgate price	68,450 (65%)	65,700 (65%)	70,350 (65%)	46,450 (66%)	52,900 (66%)
- Unit subsidy	36,600 (35%)	35,000 (35%)	37,600 (35%)	23,800 (34%)	27,500 (34%)
Littoral Province					
- Target subsidized farmgate price	68,250 (65%)	65,500 (65%)	70,150 (65%)	46,250 (65%)	52,700 (65%)
- Unit subsidy	36,600 (35%)	35,000 (35%)	37,600 (35%)	23,800 (34%)	27,500 (34%)
Center Province					
- Target subsidized farmgate price	75,850 (67%)	73,100 (68%)	77,750 (67%)	53,850 (69%)	60,300 (69%)
- Unit subsidy	36,600 (33%)	35,000 (32%)	37,600 (33%)	23,800 (31%)	27,500 (31%)
North Province 3/					
- Target subsidized farmgate price	11,550 (75%)	108,800 (76%)	113,450 (75%)	89,550 (79%)	96,000 (78%)
- Unit subsidy	36,600 (25%)	35,000 (24%)	37,600 (25%)	23,800 (21%)	27,500 (22%)
Extreme-North Province 3/					
- Target subsidized farmgate price	121,450 (77%)	118,700 (77%)	123,350. (77%)	99,450 (81%)	105,900 (79%)
- Unit subsidy	36,600 (23%)	35,000 (23%)	37,600 (23%)	23,800 (19%)	27,500 (21%)

1/ Figures are expressed in FCFA per ton. The sum of ceiling target subsidized farmgate price and unit subsidy is equal to total delivered cost plus all profit margins.

2/ Percentages in brackets are expressed in relation to total delivered cost plus all profit margins.

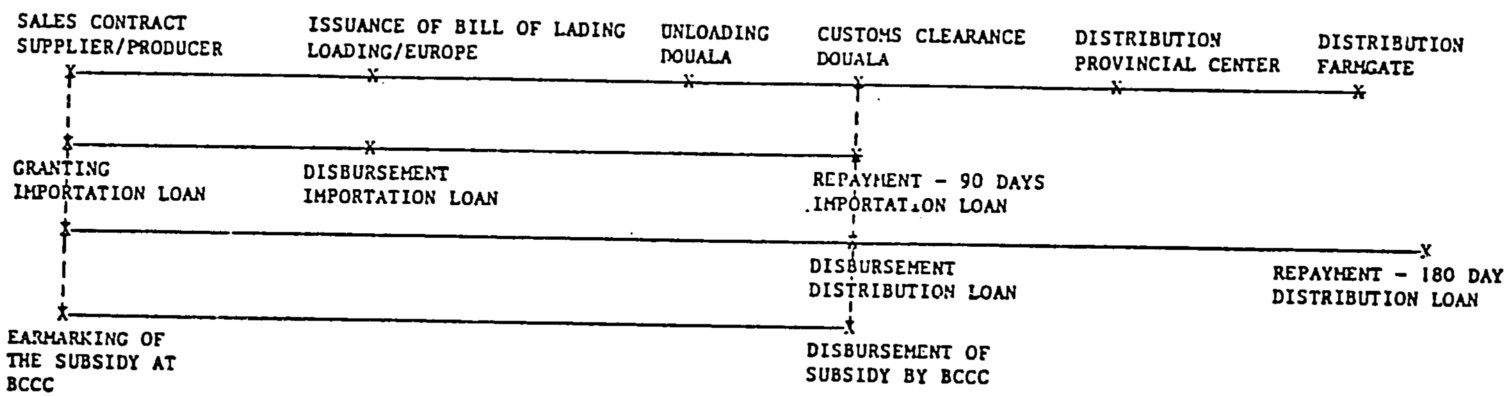
3/ Illustrative figures : A Study will be conducted to determine pricise figures.

7

Attachment II 1/1

23

COMMODITY AND FINANCIAL FLOWS UNDER FSSRP



9.

24

Attachment III 1/C

TECHNICAL SUPERVISORY COMMITTEE
(TSC)

FERTILIZER SUBSECTOR REFORM PROGRAM

(FSSRP)

GENERAL INFORMATION

MINPAT
MINAGRI
MINFI
MINCI
MESRES
NPMB

APRIL 1988

I. OBJECTIVES OF FSSRP.

- To liberalize and privatize fertilizer importation and distribution, i.e.,

  * Fertilizer importation is no longer subject to government tender;

  * Distribution at the wholesale and retail levels is unrestricted;

- Use of subsidized fertilizers is no longer subject to government quantitative allocations.

- Fertilizer subsidy will be eliminated over several years.

NOTE: Medium- and small-scale enterprises (i.e., PME/PMI) in Cameroon are encouraged to participate in FSSRP.

II. ENTITIES ELIGIBLE FOR FSSRP LOAN AND SUBSIDY PROGRAMS.

- Importers who, at least once, imported fertilizers during the 1984-87 period;

- Distributors who, at least once, distributed subsidized fertilizers to farmers during the 1984-87 period;

- New marketing organizations which have as shareholders either importers or distributors who, at least once, imported or distributed subsidized fertilizers during the 1984-87 period;

- New marketing organizations which add a significant amount of value (through building of warehouses and installation of bagging and bulk blending equipments, etc.) to imported fertilizer materials.

NOTE: Subsidized fertilizers are defined as NPK/20-10-10, NPK/12-6-20, NPK/10-30-10, ammonium sulfate (21% nitrogen) and urea (46% nitrogen).

III. FSSRP FINANCIAL SYSTEM.

a. Financial Resources: The Government of the Republic of Cameroon (GRC) will make financial resources available through two accounts at the FIDUCIARY BANK:

   - A CREDIT FUND to facilitate the financing of the importation and distribution of fertilizers under preferential lending conditions;

   - A SUBSIDY FUND to be financed through the official GRC budget. Subsidy funds will be made available by January 1 of each year for disbursements, through the banking system, to eligible importers/distributors after fulfillment of the FSSRP conditions stated in Section V below.

b. Financial Agents:

- The Bank of Credit and Commerce - Cameroon (BCCC), THE FIDUCIARY BANK, manages the CREDIT FUND and SUBSIDY FUND. BCCC loans out credit funds, under conditions defined in Section IV below, to eligible commercial banks through which it also makes available subsidy funds to eligible importers/distributors under conditions defined in Section V below;

- THE COMMERCIAL BANKS grant loans to importers/distributors by drawing on funds put at their disposal by the FIDUCIARY BANK under conditions defined in Section IV below.

IV. FSSRP LOAN PROGRAM.

- The FSSRP loan program includes a credit line for the importation of fertilizer and another credit line for the distribution of fertilizer;

- Under no circumstances, can an importer/distributor obtain a second loan without full repayment of the first loan.

a. Characteristics of FSSRP Short-term Importation Credit.

1. Prevailing Interest Rates.

- The rate paid by Participating Commercial Banks to the Fiduciary Bank is (TEP - 3% + TDC + ICAI(TEP - 3%)).

- The rate paid by importers/distributors to commercial banks is (TEP + TDC + ICAI(TEP)).

Note: -TEP : Taux d'escompte préférentiel,
-TDC : Taxe sur distribution de crédit, i.e., 1%,
-ICAI : Impôt sur chiffre d'affaires intérieur, i.e., 10.99%.

2. Reference Value for Determination of Loan.

Amount of loan per shipment will the CIF import value of fertilizer shipment.

3. Granting, Disbursement and Maturity of Loan.

- A loan will be granted by BCCC on the basis of a signed sale contract between producer/supplier and importer/distributor. The contract will be presented by the importer/distributor's bank to BCCC along with other needed information concerning importer/distributor and producer/supplier;

- A loan will be disbursed by BCCC to commercial banks within five (5) working days from the date of presentation of evidence that fertilizer shipment was loaded on ship at the port of origin (i.e., commercial bank's certified statement signed by an authorized representative and supported within a reasonable time by the bill of lading in question);

- A loan will be due on the earlier of either (a) ninety (90) days after the date of loading of fertilizer shipment at the point of origin (i.e., date of issuance of the bill of lading) or (b) the date of customs clearance of fertilizer shipment recorded in one of the customs documents D3, D11 or D15 depending on the method of customs clearance utilized by the importer/distributor.

4. Debt/equity ratio.

- The debt/equity ratio is fixed at 30/70.

- The Fiduciary Bank will provide funding equal to thirty percent (30%) of the CIF import value of the fertilizer shipment. Commercial banks will assume full responsibility in the determination of the appropriate composition/structure of importers/distributors' self-financed seventy percent (70%) of the CIF import value of the fertilizer shipment.

b. Characteristics of FSSRP Short-term Distribution Credit Line.

1. Prevailing Interest Rates.

- The rate paid by Participating Commercial Banks to the Fiduciary Bank is (TEP - 3% + TDC + ICAI(TEP - 3%));

- The rate paid by importers/distributors to commercial banks is (TEP + TDC + ICAI(TEP)).

Note: -TEP : Taux d'escompte préférentiel,
-TDC : Taxe sur distribution de crédit, i.e., 1%,
-ICAI : Impôt sur chiffres d'affaire intérieur, i.e., 10.99%.

2. Reference Value for Determination of Loan.

- Amount of loan per fertilizer shipment will be determined by the subsidized target farmgate value of fertilizer shipment plus subsidy payment related to fertilizer shipment minus CIF import value of fertilizer shipment.

- Fertilizer subsidized target farmgate price and unit subsidy are determined by the GRC.

3. Granting, Disbursement and Maturity of Loan

- A loan will be granted on the earlier of either (a) ninety (90) days from the date of issuance of the bill of lading or (b) the date the fertilizer clears customs. The date the fertilizer clears customs will be that recorded in one of the customs documents D3, D11 or D15, depending on the method of customs clearance utilized by the importer/distributor;

- A loan will be disbursed upon presentation of certification of quantity and quality issued by an accredited inspection firm and of evidence by the commercial bank that the importer/distributor has fully repaid previous importation loans;

- A loan will be due one hundred and eighty (180) days from the date the distribution loan is disbursed.

4. Debt/equity ratio.

   1. Debt/equity ratio is fixed at 70/30.

   2. Fiduciary bank will provide funding equal to seventy percent (70%) of the reference value defined in Section IV.b.2 above. Commercial banks will assume full responsibility in the determination of the appropriate composition/structure of importers/distributors' self-financed thirty percent (30%) of the reference value defined in Section IV.b.2 above.

V. FSSRP SUBSIDY PROGRAM.

- Fertilizer subsidy funds are on deposit in BCCC. For 1988, the subsidy fund is sufficient to accommodate 60,000 tons of fertilizers;

- A system of earmarking and disbursing subsidy funds has been instituted. That system is described below.

  1. Earmarking: A portion of the Subsidy Fund will be earmarked in BCCC for a particular importer/distributor for up to ninety (90) days from the date of the contract signed between importer/distributor and producer/supplier. The importer/distributor will afterward present to BCCC its marketing plan which was approved by its commercial bank.

  2. Disbursement: The subsidy will be disbursed by BCCC to importer/distributor via its bank upon presentation by the commercial bank to BCCC of one of the customs documents D3, D11 or D15 (depending on the method of customs clearance utilized by the importer/distributor) as well as a copy of the bill of lading, the certificate of quantity and quality issued by an accredited inspection firm and the supplier's invoice.

VI. PRICES AND SUBSIDIES.

- Fertilizer prices in the marketplace will not be controlled by the GRC. The Government will, however, identify and publicize ceiling "target" subsidized farmgate prices and unit subsidies for fertilizers;

- The guiding principle will be: The sum of the "target" subsidized farmgate price and unit subsidy payment will equal the importer/distributor's total delivered costs (inclusive of appropriate profit margins).

VII. IMPORT LICENSING PROCEDURE.

Import AUTHORIZATIONs and LICENSEs will be issued by MINCI to eligible importers/distributors identified in Section II above.

VIII. UPDATING GENERAL INFORMATION ON THE FSSRP.

This information pamphlet will be updated from time to time as and when needed.

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Attachment IV 1/4

TECHNICAL SUPERVISORY COMMITTEE
(TSC)

FERTILIZER SUBSECTOR REFORM PROGRAM

FSSRP

GENERAL INFORMATION PAMPHLET

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I. OBJECTIVES OF FSSRP.

- To liberalize and privatize fertilizer importation and distribution, i.e.,

  * Fertilizer importation is no longer subject to government tender;

  * Distribution at the wholesale and retail levels is unrestricted;

- Use of subsidized fertilizers is no longer subject to government quantitative allocation;

- Fertilizer subsidy will be eliminated over several years.

Notes: - Medium- and small-scale enterprises in Cameroon are encouraged to participate in FSSRP.

- Subsidized fertilizers are defined as NPK/20-10-10, NPK/12-6-20, NPK/10-30-10, ammonium sulfate (21% nitrogen) and urea (46% nitrogen).

II. FSSRP FINANCIAL SYSTEM

II.1. Financial Resources: The Government of the Republic of Cameroon (GRC) will make financial resources available through two accounts at the FIDUCIARY BANK (FB):

- A CREDIT FUND to facilitate the financing of the importation and distribution of fertilizers under preferential lending conditions;

- A SUBSIDY FUND to be financed through the official GRC budget. Subsidy funds will be made available by January 1 of each year for disbursement, through the banking system, to eligible importers/distributors after fulfillment of the FSSRP conditions stated in Sections III and V.

II.2. Financial Agents:

- The Bank of Credit and Commerce Cameroon (BCCC), THE FIDUCIARY BANK, manages the CREDIT FUND and SUBSIDY FUND. The FB loans out credit funds, under conditions defined in Section IV, to eligible commercial banks through which it also makes available subsidy funds to eligible importers/distributors under conditions defined in Section V;

- THE COMMERCIAL BANKS (CB) grant loans to importers/distributors by drawing on funds put at their disposal by the FB under conditions defined in Section IV;

- By contractual agreement signed with the TSC, the FB cannot operate as a commercial bank under the FSSRP.

III. ELIGIBILITY FOR FSSRP LOAN AND SUBSIDY PROGRAMS

III.1. Criteria: The following entities are eligible:

- Importers who have, at least once, imported fertilizers since 1984; or

- Distributors who have, at least once, distributed subsidized fertilizers to farmers since 1984; or

- New marketing organizations which have as shareholders either importers or distributors who have, at least once, imported or distributed subsidized fertilizers since 1984; or

- New marketing organizations which add a significant amount of value to imported fertilizer materials (as indicated by ownership of warehouses capable of storing at least 5,000 tons, availability of bulk blending or bagging installations, availability of transport facilities, etc.).

III.2. Procedure: A CB will initiate the determination of elegibility for each new entry into FSSRP based on one of the criteria identified above. The CB will then seek the concurrence of the FB. In cases where FB's determination of eligibility agrees with that of the CB, the FB's decision on eligibility will be final. In cases of disagreement between the CB and the FB, the FB will refer the eligibility question to the TSC by telex. The TSC will render the final decision within five (5) working days based on the criteria identified above and communicate that decision to the FB by telex, telefax or written notice.

IV. FSSRP LOAN PROGRAM

- The FSSRP loan program includes a credit line for the importation of fertilizer and another credit line for the distribution of fertilizer;

- For a given contract/shipment, an importer/distributor can apply and be approved for a distribution loan and an importation loan at the same time. However, under no circumstances, can a distribution loan be disbursed to an importer/distributor for a given contract/shipment for which the importer/distributor has an outstanding importation loan;

- An independent distributor may apply for and be granted a distribution loan without being affected by the status of the importation loan(s) related to the same contract/shipment;

- Both the importation loan and the distribution loan may be repaid in their entirety prior to maturity dates without penalty. However, the early repayment must include the principal and the interest due on the date of repayment of the loan.

IV.1. Characteristics of FSSRP Short-Term Importation Credit

a. Prevailing Interest Rates

- The rate paid by the CBs to the FB is: (TBDP - 3% + TDC + ICAI(TBDP - 3%));

- The rate paid by importers/distributors to the CBs is: (TBDP + TDC + ICAI(TBDP)).

Notes: -TBDP: Taux de base débiteur privilégié,
-TDC : Taxe sur distribution de crédit, i.e., 1%,
-ICAI: Impôt sur chiffre d'affaires intérieur, i.e., 10.99%

b. Reference Value for Determination of the Loan

- The amount of loan per shipment will be based on the CIF import value of fertilizer shipment.

c. Granting, Earmarking, Disbursement and Maturity of the Loan

- A loan will be granted by the FB on the basis of a signed sales contract between producer/supplier and importer/distributor. The contract will be presented by the importer/distributor's CB to the FB along with other needed information concerning the importer and producer/supplier;

- The expiration date of the earmarking period for the importation loan will be the expiration date of the earmarking period of the subsidy related to the same contract/shipment;

- The FB will disburse the loan to the CB within five (5) working days from the date of receipt of a coded telex sent by the CB requesting disbursement of the importation loan and indicating the date on which the shipment was completely loaded on ship at the port of origin. The CB will present to the FB within three (3) weeks a certified statement signed by a well identified and authorized representative attesting that the fertilizer was completely loaded on ship at the port of origin on the date indicated in the coded telex;

- The loan will be due ninety (90) days after the date of disbursement by the FB.

d. Debt/Equity Ratio

- The debt/equity ratio is fixed at 50/50;

- The FB will provide funding equal to fifty percent (50%) of the CIF import value of the fertilizer shipment. The CBs will assume full responsibility in the determination of the appropriate composition/structure of importer/distributor's self-financed fifty percent (50%) of the CIF import value of the fertilizer shipment.

IV.2. Characteristics of FSSRP Short-Term Distribution Credit Line

a. Prevailing Interest Rates

- The rate paid by the CBs to the FB is:
  (TBDP - 3% + TDC + ICAI(TBDP - 3%));

- The rate paid by importers/distributors to the CBs is:
  (TBDP + TDC + ICAI(TBDP)).

Notes: -TBDP: Taux de base débiteur privilégié,
-TDC : Taxe sur distribution de crédit, i.e., 1%,
-ICAI: Impôt sur chiffres d'affaire intérieur, i.e., 10.99%

b. Reference Value for Determination of the Loan

- The amount of the loan will be based on the subsidized target farmgate value of fertilizer shipment plus subsidy payment related to fertilizer shipment minus CIF import value of fertilizer shipment;

- The fertilizer subsidized target farmgate price and unit subsidy are determined by the GRC.

c. Granting, Earmarking, Disbursement and Maturity of the Loan

- A loan will be granted on the basis of either a signed contract between the distributor and the importer or, in cases where the importer is involved in direct wholesale/retail sales, a marketing plan approved by the CB;

- The loan amount will be earmarked for a period of one hundred and twenty (120) days from the date of the disbursement of the importation loan by the FB;

- For a given shipment, the loan will be disbursed upon presentation of a certificate of quality and quantity issued by an accredited inspection firm either at the time of loading or unloading; a certificate stating that any importation loan(s) related to the same contract/shipment have been fully repaid, if such a loan exits; and, one of the customs documents (D3, D11, or D15 depending of the method of customs clearance used by the importer/distributor) which indicates that customs clearance has taken place;

- A loan will be due one hundred and eighty (180) days from the date the distribution loan is disbursed by the FB.

d. Debt/Equity Ratio

- The debt/equity ratio is fixed at 50/50;

- The FB will provide funding equal to fifty percent (50%) of the reference value defined in Section IV.2.b above. The CBs will assume full responsibility in the determination of the appropriate composition/structure of importer/distributor's self-financed fifty percent (50%) of the reference value defined in Section IV.2.b above.

V. FSSRP SUBSIDY PROGRAM

- Fertilizer subsidy funds are on deposit in the FB. For 1989, the subsidy fund is sufficient to accommodate 75,000 tons of fertilizer;

- A given contract/shipment can receive only a single disbursement from the subsidy fund;

- Access to subsidy funds requires participation in at least one of the two FSSRP credit lines;

- A system of earmarking and disbursing subsidy funds has been instituted. That system is described below:

1. Earmarking: At the request of a CB, the FB will earmark the appropriate amount of the subsidy funds for a particular importer/distributor on the basis of a signed contract between the importer/distributor and a producer/supplier. The earmarking will last for a maximum of ninety (90) days from the date the FB earmarks the subsidy funds. The FB will notify the CB of the date of earmarking by telex. The importer/distributor will, through the CB, present the FB with a marketing plan, which has already been approved by the CB, in due course.

2. Disbursement: The subsidy will be disbursed by the FB to importer/distributor via a CB upon notification by the CB that the shipment has arrived and upon receipt of CB's request for disbursement of subsidy by coded telex. Immediately after sending the coded telex, the CB will mail the FB a copy of the bill of lading, the certificate of quantity and quality issued by an accredited inspection firm either at the time of loading or unloading and the supplier's invoice. Within a month after sending the coded telex, the CB will send one of the customs documents (D3, D11, or D15 depending on the method of customs clearance used by the importer/distributor) to the FB.

VI. PRICES AND SUBSIDIES

- Fertilizer prices in the market place will not be controlled by the GRC except that the GRC will establish and publicize ceiling target subsidized farmgate prices and unit subsidies for fertilizers;

- The guiding principle will be: The sum of the target subsidized farmgate price and unit subsidy payment will equal the importer/distributor's total delivered costs (inclusive of appropriate profit margins).

VII. IMPORT LICENSING PROCEDURE

Import AUTHORIZATIONS and LICENSES will be issued by MINDIC to importers/distributors and new entrants determined as eligible under Section III above.

VIII. UPDATING GENERAL INFORMATION ON THE FSSRP

This version of the information pamplet updates the version released in April 1988. Futher updates will be made from time to time as and when needed.

IX. USEFUL ADDRESSES FOR OBTAINING ADDITIONAL INFORMATION

1. GENERAL SECRETARIAT
MINISTRY OF PLAN AND REGIONAL DEVELOPMENT
TECHNICAL SUPERVISORY COMMITTEE
FERTILIZER SUB-SECTOR REFORM PROGRAM
YAOUNDE
TEL: 23-32-91
TELEX: 8203 KN OR 8268 KN MINPAT

2. USAID/CAMEROON
FERTILIZER SUB-SECTOR REFORM PROGRAM
BP 817
YAOUNDE
TEL: 22-02-69/23-05-81
TELEX: AMEMBYA 8223 KN

3. BANK OF CREDIT AND COMMERCE CAMEROON S.A
FIDUCIARY BANK/FSSRP
IMMEUBLE KENNEDY, AVENUE JOHN F. KENNEDY
B.P. 1188
YAOUNDE
TEL: 23-30-25/22-29-86
TELEX: 8558 KN OR 8606 KN

4. DIRECTION OF AGRICULTURE
MINISTRY OF AGRICULTURE
SUB-DIRECTORATE OF AGRICULTURAL PRODUCTION
YAOUNDE
TEL: 22-04-32
TELEX: 8325 KN

DOCUMENT FLOW WITHIN THE FSSRP
LOAN/SUBSIDY PROGRAM

Procedure to be followed by
Importers/Distributors and Commercial Banks.

STEP I: -GRANTING OF IMPORTATION LOAN,
-EARMARKING OF SUBSIDY, AND
-GRANTING OF DISTRIBUTION LOAN (if requested).

(1)GRANTING OF IMPORTATION LOAN will be executed by the Fiduciary Bank (FB) based on a signed sales contract between Producer/Supplier and Importer/Distributor.

Notes: -Importation loan funds are earmarked for 90 days.
-Proforma invoice is not acceptable.

(2)EARMARKING OF SUBSIDY will also be executed by the FB on the basis of the signed sales contract between the Producer/Supplier and Importer/Distributor but the Importer must submit immediately thereafter, through the Commercial Bank (CB), either of the following:

(a) a signed sales contract between Importer and Distributor/End-user, or

(b) a marketing plan approved by the CB in case the Importer is himself the Distributor,.

(3)GRANTING OF DISTRIBUTION LOAN will be executed by the FB, if requested, based on:

(a) either a signed sales contract between Importer and Distributor, or

(b) a marketing plan approved by the CB in case the Importer is himself the Distributor.

Note: The distribution loan funds are earmarked for 120 days.

STEP II - DISBURSEMENT OF IMPORTATION LOAN.

DISBURSEMENT OF IMPORTATION LOAN will be undertaken by the FB based on:

- A coded telex from the CB to the FB requesting disbursement of the importation loan and indicating: (1) date of Bill of Lading, (2) quantity and type of fertilizer loaded and (3) sailing date of ship. However, the coded telex must be sent within 90 days of earmarking of the importation loan.

Note: The coded telex must be followed within three (3) weeks by an attestation in writing from the CB, signed by one of its authorized representatives (i.e., well identified and empowered by the CB), certifying that the fertilizer was completely loaded on the ship in the port of origin on the date mentioned in the coded telex, and indicating the date the ship sailed.

STEP III - DISBURSEMENT OF SUBSIDY.

DISBURSEMENT OF SUBSIDY will be undertaken by the FB based on:

-A coded telex from the CB to the FB announcing the arrival of the fertilizer shipment and requesting disbursement of the subsidy, as long as this occurs within 90 days from the subsidy earmarking.

Notes:-Immediately after the coded telex, the CB will send to the FB, by mail, a copy of the Bill of Lading, the Certificate of Quantity and Quality issued by an accredited Inspection Company either at the time of loading or unloading and the supplier's invoice, and

-Within one month from the date of the coded telex, the CB must send to the FB one of the customs clearance documents (D3, D11 or D15 depending on the method of customs clearance used by the Importer/Distributor).

STEP IV - REPAYMENT OF IMPORTATION LOAN,
- DISBURSEMENT OF DISTRIBUTION LOAN.

DISBURSEMENT OF DISTRIBUTION LOAN will be undertaken by the FB based on:

(1) If the Distributor is at the same time the Importer:

(a) a certificate of quantity and quality issued by an accredited Inspection Company either at the time of loading or unloading,

(b) an attestation from the CB regarding repayment in full of importation loan(s) linked to the same contract/shipment if such loan(s) exist, and

(c) a customs clearance document (D3, D11 or D15 depending on the method of customs clearance used by the importer/distributor) showing clearance of the shipment in question by Customs.

(2) If the Distributor is different from the Importer:

(a) a certificate of quantity and quality issued by an accredited Inspection Company either at the time of loading or unloading, and

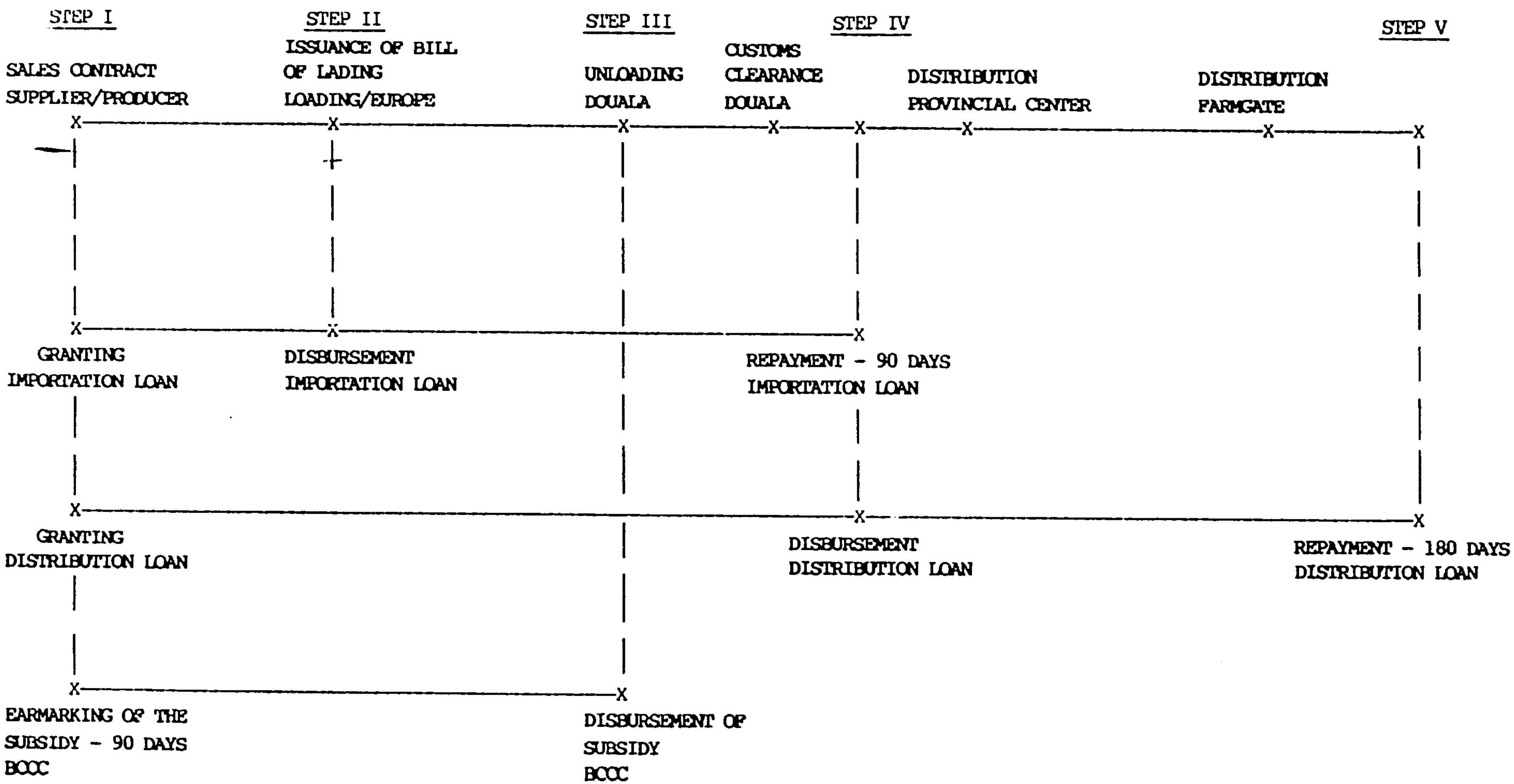
(b) a customs clearance document (D3, D11 or D15 depending on the method of customs clearance used by the importer/distributor).

Note: In both cases, disbursement must occur within 120 days of earmarking the distribution loan.

Attach. V 2/3

39

COMMODITY AND FINANCIAL FLOWS UNDER FSSRP



PROPOSED STEP-BY-STEP PROCESS FOR PURCHASE OF FERTILIZER BY COOPERATIVES

1. ESTIMATE COOPERATIVE'S FERTILIZER NEED:

    - TYPE;
    - DELIVERY TIME.

2. ISSUE A PRIVATE TENDER FOR THE QUANTITY NEEDED AT THE TIMES REQUIRED:

    - PRIVATE TENDER BASICALLY REQUESTS BIDS FROM SELECTED IMPORTERS.

3. COLLECT BIDS SUBMITTED WITHIN A PRE-DETERMINED PERIOD OF TIME.

4. REVIEW BIDS SUBMITTED BY A COMMITTEE SET UP BY COOPERATIVE.

5. ACCEPT AT LEAST TWO BIDS BASED SOLELY ON PRICE PROPOSED FOR FURTHER NEGOCIATIONS.

6. NEGOCIATE FINANCIAL CONDITIONS RELATED TO EXECUTION OF CONTRACT WITH SUCCESSFUL BIDDERS. THE MORE IMPORTANT FINANCIAL CONDITIONS ARE:

    - SUPPLIER CREDIT;
    - FINANCIAL GUARANTEE REQUIRED OF COOPERATIVE;
    - DISTRIBUTION CREDIT UNDER FSSRP LOAN PROGRAM;
    - PHYSICAL LOSSES: WHO WILL BEAR THE COST ?

7. CHOSE UNIQUE SUPPLIER BASED ON NEGOCIATION IN STEP 6.

8. FINALIZE CONTRACT WITH UNIQUE IMPORTER BY INCORPORATING AGREED UPON PRICE AND FINANCIAL CONDITIONS NEGOCIATED IN STEPS 5 AND 6.