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DECENTRALIZATION: FINANCE & MANAGEMENT PROJECT

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PROGRAM OF REFORM IN THE AGRICULTURAL MARKETING SECTOR, PHASE I (PRAMS I)

Program of Research on Market Transitions (PROMT)

PATHS OF POLICY REFORM: Case Studies of PRAMS I and Cooperative Law Reforms

FINAL REPORT

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

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FOREWORD

This report is one of a series of studies produced by the Program of Research on Market Transitions (PROMT), the research arm of USAID/Cameroon's Program for Reform of the Agricultural Marketing Sector, Phase I (PRAMS I). PROMT is one of many research programs conducted by the Decentralization: Finance and Management (DFM) project, sponsored by the Agency for International Development's Research and Development Bureau (AID/R&D). Like other DFM projects, PROMT draws on an Institutional Analysis and Design (IAD) framework to study the processes of institutional change associated with deliberate reform efforts in the developing world. DFM is managed by Associates in Rural Development, Inc. (ARD) of Burlington, Vermont. Under subcontract arrangements ARD collaborates with the Workshop in Political Theory and Policy Analysis at Indiana University and the Metropolitan Studies Program at Syracuse University.

PROMT was created to monitor and analyze the processes of market liberalization and privatization associated with various donor-assisted, policy reform programs in Cameroon, including but not limited to PRAMS I. Concerned with problems of both design and implementation, the research was focused, in particular, on two issues: (1) the relationship of sectoral reforms to cross-cutting reforms and constraints, and (2) alternative modalities for assisting the reform process as used by three donors--AID, the World Bank, and the Commission of the European Community (CEC). PROMT also examined other emerging difficulties with policy reform and further developed the IAD framework as a diagnostic tool for use in the policy reform process.

PRAMS I focused exclusively on reform and restructuring in Cameroon's arabica coffee sector. Arabica coffee is one of the country's leading agricultural exports, which also include robusta coffee, cocoa, and cotton. PRAMS I was preceded by the Fertilizer Sub-Sector Reform Program (FSSRP), USAID/Cameroon's first initiative into market-creating policy reform, and a companion program sponsored by the CEC, the *Programme Spécial d'Importation d'Engrais* (PSIE). These sectoral reform efforts occurred in the context of a comprehensive Structural Adjustment Program (SAP) supported by the World Bank. This set of reform activities provided the range of experience studied by PROMT researchers.

The theoretical base for PROMT research was both institutionalist and interdisciplinary, provided by the IAD framework in political science and the New Institutional Economics. The "new institutionalism" as used in PROMT was based on two key ideas:

- Goods and services exhibit differences, often subtle, that require different institutional arrangements for their effective provision, production, exchange, and use. Included are shades of difference among the great variety of private goods considered appropriate for market provision.

- Alternative institutional arrangements create very different incentives for individuals' behaviors, greatly affecting their capacity or incapacity to interact with one another in productive ways. Included among alternative institutional arrangements are alternatives within the private sector--various types of markets and industries.

This theoretical orientation leads to a pair of research hypotheses:

- The problems encountered in liberalization and privatization vary with the characteristics of the goods and services involved in emerging market relationships. Normatively, the design and implementation of policy reform programs should reflect the differences among economic goods.

- The success of policy reform depends on the institutional arrangements available for translating intentions into actions and outcomes. Normatively, the design and implementation of policy reform programs should reflect the differences among political institutions.

Methodologically, PROMT examined and compared different cases of policy reform, using programs undertaken by different donors in a single country. The period under study was roughly 1988 to early 1994. During this period the international economic situation affecting Cameroon deteriorated sharply, including a sagging world price for coffee. Toward the end of the period Cameroon's currency (along with the other Franc zone countries in West Africa) was devalued, a step long recommended by the World Bank. Also during this period Cameroon pursued political reforms, legalizing opposition parties and increasing the diversity of political expression, yet maintaining the dominance of the president and his party. Otherwise, the research design held constant the general institutional context, while varying, among the cases studied, both the goods and services involved and the design and implementation of policy reforms and accompanying programs of assistance.

The design of PRAMS I produced two major program components:

- A policy reform component that established a series of conditions precedent to the disbursement of funds, most of which were intended to liberalize the policy environment surrounding the marketing of arabica coffee, allowing for market-based pricing, private export, and competition among traders.

- A cooperative restructuring component focused on the North West Cooperative Association, a federation of 11 cooperative unions and initially 40 (now 73) cooperative marketing societies located in the North West Province.

Arabica coffee is also grown in West Province, where marketing is organized through a union of six marketing cooperatives. A collateral reform effort, one closely coordinated with a number of other donors, led to the adoption and dissemination of a new national cooperative law, affecting all cooperative organizations and similar groups in Cameroon.

The Cameroonian experience with policy reform in general and PRAMS I in particular is especially interesting due to two factors:

- The distinguishing characteristic of arabica coffee as a "hidden value" commodity and the challenge presented by this attribute to the conceptualization of an appropriate privatization program. The value of a commodity is hidden to the extent that its quality cannot be easily ascertained or measured at the point of initial purchase. This suggests the possibility that market institutions should be modified by introducing elements of nonmarket or collective decision-making. These considerations coincided, in the case of PRAMS I, with a privatization program focused largely on marketing cooperatives, not private entrepreneurs.

- The innovative approach to policy reform pursued by USAID/Cameroon during this period. Rather than introducing a policy change (e.g., a change in a regulation or the adoption of an official policy statement) and monitoring outcomes, USAID/Cameroon pursued a course of following each reform through the series of steps that lead from the initial intervention to intended (or unintended) outcomes. Instead of focusing only on the two end-points of the reform path, this approach, as used in both PRAMS I and the earlier FSSRP, involved monitoring performance along the entire path. Such close monitoring led to unforeseen donor interventions in the reform process. Monitoring the entire path of reform can also suggest ways to model the reform process. Models of policy reform, conspicuously lacking in the design of policy reform programs by major donors, could lead to better choices of initial policy interventions and better monitoring of performance.

The PROMT research effort has resulted in the following reports:

- *Institutionalism and Policy Reform.* A background paper on the IAD framework applied to policy-reform problems.

- *Organizational Approaches to Policy Reform.* A background paper on the models followed by USAID, the World Bank, and the CEC.

- *Crafting a Market: A Case Study of USAID's Fertilizer Sub-Sector Reform Program.* A case study of the Fertilizer Sub-Sector Reform Program.

- *Pitfalls of Privatization: A Case Study of the European Community's Programme Spécial d'Importation d'Engrais*. A case study of the CEC's Special Fertilizer Input Program (known by French acronym PSIE).

- *Paths of Policy Reform*. Case studies of PRAMS I and Cooperative Law reforms.

- *Restructuring NWCA*. A case study of the cooperative restructuring component of PRAMS I in the North West Province.

- *Implementation of the World Bank's First SAL in Cameroon: A Case Study of Public Enterprise Reforms and Industrial and Commercial Sector Reforms*. A case study of selected components of the SAP in Cameroon.

- *Crosscutting Constraints and Policy Reform*. A set of four background papers dealing with investment, labor, commercial, and contract law in Cameroon.

- *The Analysis of Market Transitions*. The final report.

Copies of the reports are available from ARD, Burlington, Vermont.

Ronald J. Oakerson
PROMT Research Director

ACKNOWLEDGMENTS

The PROMT team was composed as follows:

- Daniel Green, Full-time Research Associate, a political scientist posted in Yaounde, Cameroon
- Paul D. Wessen, Full-time Research Associate, an agricultural economist posted in Bamenda, Cameroon
- Donald Hinman, Part-time Research Associate, an agricultural economist located at Michigan State University
- S. Tjip Walker, Part-time Research Associate, a political scientist located at the Workshop in Political Theory and Policy Analysis, Indiana University
- Louis Siegel, DFM Senior Program Manager, ARD Burlington
- Barbara Messner, DFM Assistant Project Manager, ARD Burlington
- Ronald J. Oakerson, Research Director (part-time), Professor of Political Science, Houghton College

Green and Wessen were posted in Cameroon for one year, from early 1993 to early 1994. Green had principal field responsibility for the case studies dealing with PRAMS I policy reforms and the cooperative law reform, while Wessen studied the restructuring of NWCA. Hinman wrote the background paper on "Organizational Approaches to Policy Reform" and conducted the field study of public enterprise reform within the scope of Cameroon's SAP.

Walker was responsible for the case studies of FSSRP and PSIE and assisted with project coordination. Oakerson wrote the background paper on the IAD framework and the final research report, edited the full set of reports, supervised the research team, and gave general direction to the research program. Over the past few years he has spent a total of some nine months in Cameroon.

In addition, ARD subcontracted with the Private Sector Research Institution (PRISERI) of Cameroon to prepare four background studies of cross-cutting legal constraints.

The team has a long list of people to whom we are deeply indebted for assistance. At USAID/Cameroon, two "generations" of personnel contributed to the research program. Robert Shoemaker, former Project Design and Evaluation Officer, Tham Truong, former Chief of the Office of Economic Analysis and Policy Reform Implementation (EAPRI), and

Jay Johnson, former Mission Director, were responsible for the original proposal as part of PRAMS I.

François Vézina (PRAMS I Coordinator), Kifle Negash (Chief of EAPRI), and Peter Benedict (Mission Director) provided the on-site assistance needed to bring the program to completion. Other EAPRI personnel who provided assistance to the research team include Dan Moore, Rostand Longang, and Amin Pakzad. Dr. Anthony Wawa Ngenge of the Ministry of Agriculture was helpful in many respects. At the North West Cooperative Association (NWCA), three NWCA presidents have contributed to our efforts: Simon Achidi Achu (now Prime Minister of Cameroon), Christopher Berinyuy, and Emmanual Ndi. Among the NWCA senior staff, Dr. Robert Ghogomu Tapisi (General Manager), Paul Ngabir Bantar (Assistant General Manager), Elias Sikod, Abel Chenyi, Christopher Mbah, Samuel Mbuyah-- all contributed many hours to helping the team understand the cooperative structure and the coffee business. The members of the Technical Assistance Team posted at NWCA, Lisa Matt, Tony Marsh, and Cary Raditz, were also an indispensable source of help.

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ACRONYMS AND ABBREVIATIONS

AMIS	Arabica Market Information System
APCC	Arabica Policy Coordinating Committee
CAMCCUL	Cameroon Cooperative Credit Union League
CCCE	*Caisse Centrale de Coopération Economique*
CDC	Commonwealth Development Corporation
CDSS	Country Development Strategy Statement
CENADEC	*Centre Nationale du Développement des Cooperatives*
CFRF	Crop Financing Revolving Fund
CICC	*Comité Interprofessionnel du Cafe et Cacao*
CIG	Common Initiative Group
Coop/Mut	Ministry of Agriculture's Department of Cooperation and Mutuality
CP	Condition Precedent
CUROR	Central Unit for Rural Organization Reform
EAPRI	Office of Economic Analysis and Policy Reform Implementation
ECPR	Executive Committee for Project Review
EDF	European Development Fund
FAC	*Fonds d'Aide et Cooperation*
FCFA	French Franc
FSSRP	Fertilizer Sub-Sector Reform Program
FY	Fiscal Year
GRC	The Government of the Republic of Cameroon

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ICO	International Coffee Organization
LBA	Licensed Buying Agent
MINAGRI	Ministry of Agriculture
MINDIC	Ministry of Industrial Development and Commerce
MINFI	Ministry of Finance
MINPAT	Ministry of Planning and Regional Development
NPMB	National Produce Marketing Board
NWCA	North West Cooperatives Association
ONCC	*Office National du Cacao et du Cafe*
ONCPB	*Office Nationale de Commercialisation des Produits de Base*
PAAD	Program Assistance Approval Document
PACD	Program Activity Completion Date
PAIP	Program Assistance Initiating Proposal
PRAMS	Program of Reform in the Agricultural Marketing Sector
RAMS	Reform of the Agricultural Marketing Sector
SAL	Structural Adjustment Loan
SAP	Structural Adjustment Program
SODECAO	*Société de Développement de Cacao*
TU	Technical Unit
UCCAO	*Union Centrale des Cooperatives Agricoles de l'Ouest*
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

USAID has undertaken important policy reform efforts over the last 6 years in Cameroon. Two of these were the work to reform the marketing of arabica coffee throughout the country and the work to liberalize the legal regime governing cooperative organizations. This study examines these two efforts in detail, describing the course USAID/Cameroon took in its efforts to bring reform in both areas.

In the arabica sector, USAID's work took the shape of a non-project assistance program, the Program of Reform in the Agricultural Marketing Sector, Phase I (PRAMS I). The design phase of PRAMS I, in the period from November 1989 to August 1990, took place at a time of crisis and upheaval in Cameroon's export crop sector as a whole. The World Bank began a structural adjustment program in Cameroon in 1989. Serious reform of internal and external export crop marketing would begin in early 1990. PRAMS I was affected by these winds of change and became stronger because of them. Amid the various efforts undertaken by other donors, PRAMS I stands out as a detailed and ambitious reform program, one that would press ahead of others and make a positive example of the arabica sector by 1994.

The PRAMS I program was to involve close work with one of the major arabica coffee marketing cooperative associations, the North West Cooperative Association (NWCA), located in the country's North West Province. The policy reform component of PRAMS I sought to remove government controls and involvement in the marketing of arabica coffee, freeing up competition for farmers' produce so that they might obtain as high a percentage of the world market price as possible. PRAMS I was to last four years, from August 1990 to September 1994, spanning four arabica coffee buying seasons. In the first two years, reforms were gradual, as NWCA grew strong enough to participate in a liberalized internal market with competition. The last two seasons of the program saw full liberalization of the sector, featuring the elimination of buying monopolies by the major cooperatives and of government-set producer prices in favor of open competition.

The timing of reforms and the disbursement of dollars under PRAMS I never stayed on schedule; disbursements were late, required forms were usually delayed, and only the first two disbursements would ever be made. Nonetheless, the program attained its principal goal of full liberalization in arabica coffee marketing in time for the 1993/94 buying season, and in that season, NWCA's producers would receive the highest price offered for arabica in the country.

Several important obstacles and menacing problems were encountered on the path of reform. In November 1990, USAID had to arrange an important meeting to resolve the problem of payment of arrears owed to North West arabica farmers for their previous years' crops. In 1991, similar efforts were made to arrange resolution of a dispute over the distribution of the defunct National Produce Marketing Board (NPMB). In addition, throughout the life of PRAMS I, a second reform effort was ongoing in the export crop sector, involving the sector generally and cocoa and robusta coffee marketing in particular. New legislation stemming from these reforms threatened PRAMS I in 1991 and 1992. In both instances, USAID worked carefully and successfully with other donors and Cameroonian organizations in the sector to find solutions and move forward. Finally, a last hurdle on the path to full reform was the government's demand for a market information system to inform farmers of changing international and domestic prices. Quick response to this concern allowed full liberalization for the 1993/94 season and made the government an enthusiastic proponent of the reforms.

In contrast with PRAMS I, USAID's efforts to liberalize the rules governing the formation and operation of cooperatives did not take place as a formal project or program, but rather through the involvement and efforts of various USAID staff to ensure that, as the Cameroonian government went through the process of revising its existing cooperative legislation, a law as liberal as possible would emerge. In response to a crisis of confidence brought on by excessive government control and interference, a movement to liberalize the cooperative law had been growing since 1988; USAID's most intensive involvement in this process began in early 1990.

Reforming the cooperative law involved a complicated process of coordination with several other actors, including other donors and various elements of the Cameroonian government. USAID involvement was crucial at several junctures. In August 1990, USAID brought in a legal specialist who wrote the first full draft of a law. This served as the basis for discussions from that point on. In September 1991, USAID helped organize and sponsor a conference to discuss a draft law before it was sent to the government. When this law was later rejected, USAID took a leading role in early 1992 in rallying donors and setting quickly to work on a second attempt, which was successful. In the end, a new and liberal cooperative law finally came out in August 1992.

The two reforms proved important and mutually reinforcing, with impacts in the arabica sector and beyond. The liberal cooperative law democratized cooperative structures and gave individual members the right and opportunity to begin to demand changes and better performance from their organizations. Market liberalization allowed competition for arabica coffee and put pressure on all buyers to increase their prices. The market information system established with USAID assistance kept farmers informed of price trends. The end result was good prices for farmers and the beginnings of a working market in the sector, an example that the government and other donors seemed ready to follow by 1994 as full liberalization in the cocoa and robusta coffee sectors appeared on the horizon.

I. THE DESIGN OF PRAMS I

A. Introduction

1. The "Policy Reform Component" of PRAMS I

On August 31, 1990, an agreement was signed between the Government of the Republic of Cameroon (GRC) and USAID/Cameroon launching a new non-project assistance program in Cameroon. The program, the Program of Reform in the Agricultural Marketing Sector, Phase I (PRAMS I), was designed to liberalize the marketing of arabica coffee, both internally and externally, and to restructure one group of arabica marketing cooperatives, the North West Cooperative Association (NWCA), to prepare it to compete under free market conditions.

PRAMS I committed the GRC to specific changes in policy regarding the marketing of arabica coffee and in the law governing cooperatives. These changes were made conditions precedent to dollar disbursements by USAID. The "policy reform component" of PRAMS I refers to this set of policy changes: changes in the rules governing the organization of the cash-crop sector as a whole, the rules governing the marketing of arabica coffee, and the government's policy toward cooperatives.

The PRAMS I design envisioned a steady, three-stage liberalization of both arabica coffee marketing and the legislation governing cooperatives. Over the years 1990-93, a great deal was accomplished in the arabica sector and elsewhere in the export crop sector. USAID's role was critical in helping the GRC to bring about much of this change, particularly in the arabica sector and was an important, even determining factor, in other areas of reform.

This report reviews a variety of aspects of PRAMS I policy reform. First, the study examined the design of the policy reform component. This extended review was undertaken to understand the path along which PRAMS I emerged. Its purpose was also to learn the origins of particular elements of PRAMS I, for once the design was finished and the agreement was signed, these elements were fixed and constituted the road map for subsequent activity by the GRC, USAID and other donors, cooperatives, and other actors in the private sector. Second, after the signing and as the program began to unfold, the program encountered hurdles and challenges in implementation. The study explored the sources of these difficulties and the efforts USAID/Cameroon made to achieve reform at each turn. This aspect is singularly important in view of the goals of the research program, among which is analyzing the policy-reform approach taken by USAID/Cameroon in order to suggest lessons for future reform activities undertaken by USAID missions elsewhere.

Finally, throughout this study considerable attention is given to the economic context in which policy reform was designed and implemented. The impact and efficacy of USAID/Cameroon's work in the period 1989-1994 can only be judged if we know what other forces were at work breaking the ground, promoting, and hindering USAID's reform efforts. USAID influence was certainly a crucial factor influencing events in the arabica sector and beyond, but there is much more to the picture. For example, one contextual aspect essential to understand is the fact that the time was right in 1989-90 for reform in Cameroonian agriculture. PRAMS I came at an opportune moment and was able to take advantage of the impetus of a variety of forces within and outside the GRC—the World Bank's Structural Adjustment Program, the *Caisse Centrale de Coopération Economique*'s (CCCE) pressure to eliminate the National Produce Marketing Board (NPMB)[1]—to move forward quickly with liberalization in the marketing of Cameroon's cash crops. In important ways, PRAMS I rode these waves, in turn being shaped by and reshaping them, as USAID/Cameroon sought to advance its own approach to economic liberalization.

2. *Cameroon's Export Crop Sector to 1989*

Cocoa, robusta coffee, arabica coffee, and cotton are Cameroon's chief agricultural exports. Together with palm oil and bananas, they will be referred to here simply as "the export crop sector." Agriculture has always been important to the Cameroonian economy and to government revenues. In the second half of the 1980s these crops accounted for 60-75% of all agricultural exports, a period when agricultural exports were over 35% of total exports.[2] Excluding oil, virtually all of Cameroon's exports are agricultural.

Until 1989, Cameroon's export crop sector exhibited high levels of regulation and was very much under central government control. After 1966, uniform national producer prices for cocoa, robusta, and arabica were set by official decree. By means of a "*barème*" system the government also administered the markets for these goods, setting fixed rates of remuneration for all stages in the handling, processing and marketing activities undertaken in its name.

This web of regulation and control was effected through various government ministries, parastatals, and marketing boards. In 1978, several of these bodies were grouped together into one large and powerful national marketing board, the NPMB. This organization was given a monopoly over the internal and external marketing of cocoa, arabica, robusta, and cotton, although a variety of other bodies worked with it to market these crops. NPMB's practice was to parcel out its internal marketing activities to various producer cooperatives, licensed private traders, and selected parastatals. In special cases external marketing was done by private traders, and one cooperative, the *Union Centrale des Cooperatives Agricoles de l'Ouest* (UCCAO) in West Province, was allowed to market arabica coffee in export markets.

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[1] Known in French as the *Office Nationale de Commercialisation des Produits de Base* (ONCPB).

[2] PRAMS I Program Assistance Approval Document, p.13; referred to hereafter as the "PRAMS I PAAD."

Two other bodies within the GRC also possessed considerable authority over arrangements in the export crop sector. One of these was the Office of the Presidency, which, via presidential decrees, annually set the producer prices for cocoa, robusta, and arabica. Presidential decrees also named the private firms allowed to engage in export marketing. Second, the tutelary ministry for NPMB throughout its life was the Ministry of Commerce and Industrial Development ("MINDIC" is the acronym in French), which was the ministry in charge of all marketing activities generally. It was MINDIC that, via ministerial orders, set the opening and closing dates for crop marketing campaigns, specified the general conditions under which "licensed buying agents" (LBAs) would purchase produce for the NPMB, and distributed the export quotas to those private firms allowed to export (Gellar, Oakerson, Wynne 1990: 28-31).

This system of controls had generally negative impacts on the export crop sector. The principle of marketing board operation is to stabilize the price paid to farmers, so that farmer income does not vary widely and disastrously with volatile world market prices. A marketing board builds a stabilization fund by controlling internal market prices, skimming off a surplus in good years, and using that fund to support higher-than-world-market prices when the latter drop precipitously. The principal problems with the NPMB stabilization system as it operated in the 1980s were two: 1) producer prices paid to farmers were too low in good years, draining off vast sums of money from the export crop sector and from farmers and 2) the surpluses drawn from the export crops were not reserved but used elsewhere for government expenditures in other sectors or the maintenance and growth of the public sector. Before the creation of NPMB, individual stabilization funds were maintained for each crop. With the advent of NPMB, these funds were centralized and moved into the GRC Treasury, where the money could be and was used as the central government saw fit (Gellar, Oakerson, Wynne 1990: 29-30).

3. The Arabica Coffee Sector

The marketing systems for arabica coffee featured important variations on the general theme of regulation and control. Arabica coffee is grown almost exclusively in the highland areas of North West and West Provinces, and each of these provinces, being also historically and linguistically different, had its own particular marketing arrangements.

In Francophone **West Province**, UCCAO, a union of six marketing cooperatives, was granted a monopoly to purchase and export nearly all arabica coffee grown in the province.[3] In part, UCCAO effectively acted as an agent of NPMB, paying farmers the government-decreed producer price and being reimbursed for its marketing costs according to the *barème* schedule of costs. However, UCCAO was uniquely endowed with the right to export directly overseas and by-pass NPMB completely. It retained all surpluses from these sales, which it would normally distribute to its farmers or use for investments and stabilization purposes.

[3] UCCAO's monopoly is not quite complete. COOPAGRO, another cooperative which is much smaller and composed of sixteen arabica plantation owners, has its own marketing and export rights like those of UCCAO.

In the Anglophone **North West Province**, the cooperatives and area cooperative unions grouped under the NWCA held a monopoly on the purchase of arabica coffee. They acted solely as agents of the NPMB. This meant that they had no export rights and no export sales from which to retain surpluses. They were simply paid a fixed commission for processing and handling coffee, called a "block buying allowance." The system was additionally disadvantageous in that the block buying allowance did not cover the full operating costs of the NWCA structure and included no money for capital costs, making NWCA dependent on NPMB for all its equipment needs.[4]

B. The Beginnings of Reform in the Export Crop Sector

A flourishing export crop sector might not have needed any reform, and certainly the government's inclination to reform it would likely have been very low. However, Cameroon's export crop sector in 1988-89 was in disastrous shape and desperately in need of both reform and assistance. Table 1 shows a chronology of major events leading to the adoption of PRAMS I.

[4] PRAMS I Program Activity Initial Paper, p.15; referred to hereafter as the "PRAMS I PAIP."

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Table 1

Chronology of Events in the Design of PRAMS I

June 17, 1989	Structural Adjustment Loan agreement signed; Structural Adjustment Program begins.
November 1989	Initial "RAMS" proposal circulated and discussed with the GRC and other donors.
late December 1989	PRAMS I PAIP sent to AID/Washington.
December 22, 1989	NPMB performance contract is signed; pace of reform quickens in the export crop sector.
January 5, 1990	GRC responds favorably to PRAMS I proposal and makes "request for assistance."
February 16, 1990	Important USAID/donor/GRC meeting takes place to resolve the NWCA arrears problem and delay the introduction LBAs into North West Province.
early May 1990	PRAMS I "negotiating document" discussed with high GRC officials.
early July 1990	NWCA rejects CDC joint venture proposal, accepts USAID technical assistance plan.
July 18-19, 1990	SOFRECO report on NPMB and export crop sector reviewed by donors, brings some changes to PRAMS I design.
July 30, 1990	Final, high-level negotiations for PRAMS I begin.
August 30, 1990	PRAMS I Program Grant Agreement and Project Grant Agreement are signed. PRAMS I begins.

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1. *Crisis Conditions in the Export Crop Sector*

The Cameroonian economy and GRC finances were hit by a series of external shocks in 1985-87 that sent the country into an economic tailspin from which it has yet to recover. Oil prices, and with them the government's crucial oil revenues, dropped precipitously in 1985/86. This was followed shortly by disastrous drops in the world market prices for cocoa, arabica and robusta.[5] Finally, the exchange rate of the French franc (and therefore the CFA franc) rose sharply against the dollar, strengthening the CFA franc and concomitantly making Cameroon's exports more expensive and less competitive on world markets.

As international market prices dropped, NPMB, the central actor in Cameroon's export crop sector, was soon in very bad shape. In the good years of the early 1980s, NPMB had grown increasingly, even grossly, inefficient. Its operating costs quadrupled between 1981/82 and 1985/86, while the amount of coffee and cocoa it exported remained almost unchanged.[6] During this period, farmers received only about 35-40% of the world price, while NPMB's operating costs, and particularly the *barème*/scheduled-costs portion, absorbed the lion's share of the surplus.[7]

Then, as export prices fell after their 1985/86 peak, the GRC did not allow NPMB to reduce producer prices. For example, in 1985/86 the FOB price for arabica was 1,412 FCFA, and the producer price was 520 FCFA. Two years later the Fob price had dropped to half its previous level, but the producer price remained unchanged, suddenly at 71% of the world price. The situation in robusta was the same; in cocoa it was even worse.[8] For three marketing seasons—1986/87, 1987/88 and 1988/89—the GRC resisted the pressure from plummeting world prices to lower producer prices and contract the *barèmes*. In 1989, export-crop producer prices in Cameroon were among the highest in Francophone Africa.[9] One estimate holds that it cost the GRC a total of 20 billion FCFA over the 1987/88 and 1988/89 seasons to defend the price of cocoa alone.[10]

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[5] For arabica coffee, the average FOB price went from 1,412 FCFA in 1985/86 to 727 FCFA in 1987/88. The drop for robusta in the same period was from 1,013 FCFA to 576 FCFA. Source: NPMB data reproduced in the PRAMS I PAIP, p.10.

[6] World Bank *Cameroon Agricultural Sector Report*, Vol.I (dated November 1989), p.42.

[7] Corruption large and small also took its share of the resources that passed through the NPMB. In just one instance, in early 1989, FCFA 9 billion ($28 million) from an EC STABEX payment was deposited outside Cameroon and later disappeared without a trace. See Economist Intelligence Unit *Cameroon Country Report*, No.4, 1989, p.11.

[8] Tables III-1 and III-2 in the PRAMS PAAD, pp.22-23.

[9] See p.7 of the World Bank's Structural Adjustment Loan "President's Report," referred to hereafter as "SAL President's Report."

[10] Economist Intelligence Unit, Cameroon Country Report, No.4, 1989, p.15.

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Neither the GRC nor the NPMB could afford to subsidize farmers in this way, and NPMB had in fact been living on credit for some time. By 1988/89, NPMB was indebted to most operators in the export crop sector and had become completely insolvent. The export crop marketing system in Cameroon was paralyzed. By November 1989, NPMB had accumulated arrears to exporters, commercial banks, and cooperatives that totaled 58 billion FCFA—22 billion FCFA to exporters, 9 billion FCFA to cooperatives, and 22.4 billion FCFA to banks (PRAMS I PAIP: 17).

This meant that banks were no longer willing to extend new crop credit to many exporters, traders, and cooperatives. The insolvent NPMB was unable to provide pre-financing for both the 1988/89 and the 1989/90 coffee seasons, requiring traders and cooperatives to dig into their own resources if they had any, partially withhold payment to farmers, or simply not participate in the market at all (Gellar, Oakerson, Wynne 1990).

The crisis was quite evident by 1988, and reforms can be traced back to that year and earlier.[11] The economy as a whole was in crisis, and there was a growing realization that reform was necessary. In February 1988, the GRC and the World Bank signed an agreement for a $103 million cocoa sector rehabilitation project (commonly called "the SODECAO project" for the parastatal that it would assist). However, it became immediately clear that a cash-strapped GRC would not be able to supply its counterpart funds; the project had to be frozen and was redesigned over the next two years. Cameroon made a proposal for a Structural Adjustment Program to the World Bank in June 1988. On September 19, 1988, the GRC began an 18-month Stand-by program with the IMF.

2. *Measures Already Taken to Rehabilitate the Export Crop Sector*

A 1988 audit study had already identified and recommended a number of reforms in the operating methods of NPMB. Some of these reforms were implemented by late 1988 and early 1989, including the transfer of expensive and unnecessary quality control services from NPMB to MINDIC.[12] There was also a substantial reduction in the remuneration to traders and cooperatives for their marketing costs, via reduced *barèmes* for cocoa and coffee.[13] In addition, the practice of assigning purchasing zones to licensed exporters was abandoned,

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[11] Compare the development of USAID's Fertilizer Sub-Sector Reform Program, discussed in detail in the PROMT report entitled *Crafting a Market.*

[12] These reforms are described on pages 44-45 of *Relance régionalisée de la production paysanne de café et de cacao au Cameroun, Phase 1*, by a CIRAD/SOFRECO team (Dated October 1992, referred to hereafter as "Relance, Phase 1 Report").

[13] Reports on the level of the reduction for traders vary. The SAL President's Report (Action Matrix, p.122) reports a 24% reduction for coffee traders in the 1988/89 season, and a 27% reduction for cocoa. One IMF source reports "20-25 percent" reductions (IMF, *Second Review Under Stand-By* report, p.5; dated November 3, 1989). The Relance Phase 1 Report (p.45) says the average reduction was 43%, but is not clear that this was only for the 1988/89 season, or over two seasons.

freeing licensed traders to operate where they wished. This was done throughout the country for cocoa and robusta. However, the monopoly zones for UCCAO and NWCA were maintained, a fact that may have influenced the later decision by the World Bank to target the arabica sector for liberalization.[14]

3. *The World Bank Structural Adjustment Loan and Program*

Cameroon's Structural Adjustment Program, anchored by a Structural Adjustment Loan (SAL) of $150 million, is a watershed event in the recent history of Cameroon. Cameroon's SAL was approved by the World Bank's Executive Directors on June 14, 1989 and signed by the GRC on June 17, but it had been in the works for more than a year. Cameroon made its first presentation to the Bank in June 1988; a Bank appraisal mission visited in July 1988, followed by two post-appraisal missions in late 1988 and early 1989 (SAL President's Report, Annex III: 51). Negotiations were completed in May of 1989 and the loan proposal document (the "President's Report," dated May 16, 1989) was presented to the Bank's Executive Board.[15]

The New Export Crop Regime Proposed in the SAL

The SAL did not include extremely radical changes in the export-crop marketing regime, such as complete liberalization of everything and the outright elimination of the NPMB and stabilization mechanisms, but its commitment to reform was significant nonetheless.

A primary Bank concern was the financial insolvency of the export marketing system and the need to stop the hemorrhaging of government revenues via arrears and subsidies, for in the 1988/89 crop season the GRC was still incurring a deficit from crop exports. According to the SAL President's Report, the Bank was pleased with the GRC's early attempts to reduce government costs in the sector, but asked that more be done: "...these measures are not sufficient to eliminate the deficit or reduce it to an affordable level. For the 1989/90 season, the Government intends to implement a pricing policy that would *minimize the risk of requiring a state subsidy* through further reductions of the intermediary costs of both private agents and the marketing board, suspension of export taxes, and a lowering of producer prices" (SAL President's Report: 21; emphasis added).

[14] Along with these, the action matrix for the World Bank's Structural Adjustment Loan refers vaguely to other reforms that had already been taken in the export crop sector, including a "50% reduction of cocoa and coffee refunds" and a "reduction in NPMB operating costs by 30%" (SAL President's Report, Annex VI: 122). The World Bank President's Report does not elaborate further on what precisely was done in achieving these changes, their timing or their context. In any case, some meaningful and needed changes were already underway in NPMB in early 1989.

[15] The first tranche of the SAL ($50 million) was disbursed November 28 of the same year.

What the Bank basically wanted was a system of producer pricing that would be sensitive to the world price, changes in exchange rates, and the current state of GRC finances. This was in line with the proposals in the Bank's *Cameroon Agricultural Sector Report* (pp.43-44), which suggested a "flexible pricing system." Flexibility entailed not full liberalization of marketing but rather a government-established floor price that would reflect world prices, while protecting farmers from the full volatility of international markets. This was precisely what the World Bank asked for:

> "The Government will institute a *floor producer price* for coffee, cocoa and cotton, agree on the specific amount and the content of intermediary margins, and distribute the residual excess revenue, if any, afforded by the existing world price among producers, the stabilization fund and the Government in the proportion of 40-40-20 percent, respectively. ... The new pricing system will be in effect for the 1989/90 crop season" (SAL President's Report: 21; emphasis added).

In the short term, instituting producer prices that reflected world prices and did not drain government finances meant immediately reducing producer prices for the 1989/90 crop season that was about to begin. As a codicil, the Bank added that these prices should also take into account "rural minimum wages" and the "cost of unsubsidized inputs;" in other words, they should not be too low (SAL President's Report, Annex VI: 122).

Additional provisions related to marketing and pricing reform included the following commitments:

- suspension of export duties and parafiscal charges for the three products for 1989/90 (by July 1989);
- revision of procedures for licensing exporters (by September 1989);
- restructuring and reducing indirect marketing costs (*hors-barème*) (by September 1989);
- reduction of direct marketing costs fixed by price schedule (*barème*) (by September 1989); and
- commissioning a study of a support program for exporters (by January 1990).

As for the NPMB, the SAL's primary goal was to improve its management and efficiency, and it therefore requested the quick adoption of an NPMB restructuring plan (by July 1989) and the signing of a performance contract between NPMB and the GRC (by September 1989).

Finally, the Bank weighed in on the reform of cooperative legislation, noting favorably the National Seminar on Cooperatives that had been held in July 1988, and requesting that legislation on cooperatives be revised in favor of liberalization and that the roles of the two government agencies dealing with cooperatives—the Department of Cooperation and Mutuality (Coop/Mut) and the *Centre Nationale du Developpement des Cooperatives* (CENADEC), both part of the Ministry of Agriculture (MINAGRI)—be redefined (by September 1989).

Targeting the North West Province

In some ways the SAL's most ambitious provisions for liberalization involved the North West Province, which was proposed as a testing ground for market liberalization in the country as a whole. The President's Report explains its rationale as follows:

> As a first step, the Government intends to introduce more competition in the Northwest region where inefficient cooperatives and the marketing board currently have a monopoly over the marketing of coffee by allowing private traders to enter the market. In the 1989/90 crop season, private traders will be allowed to compete with cooperatives in the internal marketing of coffee. In the 1990/91 crop season, following a review of the marketing board's role in the region, the Government intends to allow cooperatives and private traders to compete with the marketing board in the export of coffee (p.21).

The idea behind this was to "improve domestic and external marketing" in order to increase the competitiveness of Cameroon's exports in world markets (SAL President's Report, Annex VI: 123). That the North West was going to be a testing ground was made clear: "Further liberalization will be extended to other regions and products depending on the results of the first step" (p.21). As will be seen in the following chapter, World Bank targeting of the North West for reform would be among the factors influencing USAID/Cameroon to begin to think about its own arabica sector reform and the possibility of assistance to arabica marketing cooperatives.

The SAL agenda also called for a specific change in arabica pricing policy—an increase in the price differential between washed and unwashed beans—to encourage improvements in quality. This was to be done by September 1989, well in time for the 1989/90 season.

Conditions Precedent Affecting the Export Crop Sector

To what extent the recommendations in the action matrix of the SAL were strict requirements is not clear. In terms of specific conditionality for release of SAL tranches, export crop reforms are not very prominent, constituting only one set of conditions precedent to the second disbursement, stated as follows:

For the primary export crops, (i) floor producer prices for coffee, cotton and cocoa and price schedules ("*barèmes*") for coffee and cocoa, for the crop season 1989-90, have been published at a level consistent with minimizing the risk of requiring State support; and (ii) a system for sharing residual marketing surpluses (export receipts, less producer prices and marketing margins) has been established.[16]

Except for mentioning some agricultural parastatals (though not NPMB) in conditions precedent to the second and third disbursements, this is the extent of the export crop sector's inclusion in conditions precedent to tranche release.

Assessing the SAL Agricultural Reforms

The plan outlined in the SAL is a fairly limited liberalization, one based primarily on the need to reduce financial losses accruing to the GRC. Change comes only around the edges; there would still be a fixed producer price and a national stabilization fund. Even the liberalization scheme in the North West would initially affect internal marketing only. While the World Bank had in some quarters been advocating the liquidation of NPMB at least since 1988,[17] they backed away from this when designing the SAL.[18]

4. Further Efforts to Rebuild the Export Crop Sector

The key problems of all three export crop *filières* (arabica, robusta, and cocoa) in the fall of 1989 were the existence of massive arrears and the lack of financing for the purchase of the 1989/90 crop. Something had to be done, immediately, to stop the gusher of debt from accumulating further and to bring producer prices into line with both world market trends and the government's fiscal capacity. Certainly donors were convinced of the seriousness of the situation, which formed the background for the World Bank's demands in the agriculture sector.

Reducing Prices—The 1989/90 Cocoa and Coffee Seasons

The first signs of serious moves toward establishing a solvent export-crop sector came on September 1, 1989, with the opening of the 1989/90 cocoa buying season. The Presidential decrees opening the campaign declared a sizeable reduction of producer prices for the season. Prices for the best grade of cocoa were cut by 40%, from 420 FCFA/kilogram to

[16] SAL President's Report, Annex III, p.52. The Second Disbursement of the SAL could not be released any earlier than March 31, 1990.

[17] See the report entitled *Les réformes des systèmes de commercialisation et de stabilisation des filières café et cacao au Cameroun et en Cote d'Ivoire* (dated December 1992) by Bernard Laporte of CERDI, p.61.

[18] According to one former EAPRI staff member, the World Bank wanted to eliminate the NPMB in the SAL, but didn't think it had the leverage to obtain this. They resigned themselves to reforming it via other measures and a performance contract. (Discussion, February 17, 1993).

250 FCFA/kilogram. This was obviously a step that the World Bank and the IMF had been hoping for, and they praised the move in their internal documents.[19] The reduction, foreshadowed in the local media, paralleled similar cuts in producer prices in Côte d'Ivoire.[20]

Three months later, the price cuts continued with the opening of the arabica and robusta coffee seasons. On November 22, when producer prices for arabica and robusta were announced, they were substantially reduced, from 520 FCFA to 250 FCFA/kilogram for best quality arabica, and a massive drop from 470 to 175 FCFA/kilogram for superior grade robusta. The official *textes de campagne* were otherwise typical: the licensing and quota system was left intact, and the level of government regulation and control was basically unchanged.

The Continuing Reform of NPMB

Further reform was coming to the export crop sector and to NPMB, which continued to have its share of troubles. In June 1989, the managing director of NPMB, Roger Melingui, was fired and replaced by Cyrille Etoundi Atangana, a former NPMB board chairman.[21] On July 1, and in accordance with the request in the SAL action matrix, the export tax (*droit de sortie*) on cocoa, arabica and robusta was eliminated.[22] One of the early NPMB austerity decisions was taken on September 1, when the Board of Directors eliminated 40 executive positions, for an estimated savings of 240 million FCFA per year.[23]

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[19] See for example the IMF report to the Executive Board on the Second Review under Cameroon's Stand-by Arrangement (dated November 3, 1989) and the report of a World Bank visiting mission, regarding the first review of the Structural Adjustment Program (March 1990).

[20] Economist Intelligence Unit Cameroon Country Report No.4, 1989, p.15.

[21] Ironically, Melingui was well-respected as an honest and competent technocratic manager but, as rumor had it, was used as a scapegoat to paper over the scandal of the missing $28 million in STABEX money from earlier in the year (see above). The STABEX funds had been deposited outside the country, something very much in violation of the on-going Stand-By Arrangement with the IMF and the cause of a delay in the disbursement of the Stand-By's second tranche, and then disappeared. Apparently, Melingui was not personally implicated in the scandal, but was sacrificed to protect the real culprits. See Economist Intelligence Unit, Cameroon Country Report, No.4, 1989, p.11.

[22] The export tax was substantial: 56 FCFA per kilo for cocoa, 65 FCFA for robusta, and 76 FCFA for arabica. It was a tax paid by the NPMB, apparently to government coffers. However, its purpose, use and the rationale for its elimination is not completely clear. Nonetheless, the elimination of the *droit de sortie* was a measure calculated to save the NPMB an estimated FCFA 15.4 billion from July 1, 1989 through the 1989/90 campaign. See the figures in the NPMB Performance Contract, Annex 1.

[23] NPMB Performance Contract, Annex 1, p.5.

NPMB's financial needs had become massive, however. In November 1989, it was determined that to restore NPMB and its operators in the export crop sector to full financial health would require 98 billion FCFA ($340 million) and that its immediate requirements amounted to 53.2 billion FCFA. Help in paying NPMB's massive arrears bill came in late November of 1989, when the French *Caisse Centrale de Coopération Economique* (CCCE) announced a "sectoral adjustment loan" of 10 billion FCFA ($35 million) to pay down the marketing board's arrears in the cocoa and coffee sectors. The money was to be spent primarily on arrears to licensed exporters and banks that had prefinanced crop purchases.[24]

The requirements for the release of the 10 billion FCFA loan were minimal but significant in terms of the future of the export crop sector. The CCCE agreement required that (1) an acceptable performance contract between NPMB and the GRC be signed; and (2) a study of NPMB be done, setting out proposals for introducing cost-effective systems for quality control and for management of the stabilization funds and proposing the liberalization of NPMB marketing functions (PRAMS I PAIP: 21).

The Performance Contract with NPMB

A performance contract between NPMB and the GRC, setting out a binding timetable of measures the former would take to reduce operating costs and sort out its financial problems, had been in the works for some time. The SAL document stipulated that a performance contract would be "signed not later than Sept.1, 1989" (SAL President's Report: 21). This deadline came and went, however. Then, a performance contract appeared in the conditions precedent to disbursement of the CCCE loan of 10 billion FCFA. Within one month, on December 22, 1989, the contract was signed.

The contract became effective January 1, 1990 and pledged NPMB to undertake a variety of measures. In terms of reforms to the export-crop regulatory regime, the performance contract stipulated significant changes, primarily in the stabilization system, which would now shift to a mechanism that operated by product in place of the previous general fund. In order to create a viable stabilization system and support a viable export crop sector, the NPMB was to negotiate scheduled costs and prices at the beginning of each campaign that reflected international market prices and maintained the financial equilibrium of the *filières*.

To aid further in getting the books balanced, serious austerity measures were required. NPMB was to reduce substantially its staffing almost immediately, by December 31, 1989. Personnel costs of 7.1 billion FCFA for the 1988/89 fiscal year would have to be reduced to 4.1 billion FCFA for 1989/90. Meeting this requirement would result in a reduction in NPMB staffing levels from 2,800 to 1,500 by mid-1990 (PRAMS I PAAD: 35).

[24] Economist Intelligence Unit, Cameroon Country Report, No.1, 1990, p.17.

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The performance contract also mentioned (in line with the conditions of the CCCE loan of the month before) that a full study of NPMB operations would be conducted under the auspices of the CCCE. (This contract would be awarded to the French firm "SOFRECO," and the resulting report of July 1990 would be known as the "SOFRECO Report.") Though valid until the 1994/95 season, the agreement stipulated that the performance contract itself would be reopened and revised before September 30, 1990, to take into account the new recommendations of the SOFRECO report. In retrospect, this would prove to be the narrow end of a wedge, for the SOFRECO report would ultimately recommend that NPMB be dissolved.

The Performance Contract and Coffee Liberalization

Of more particular relevance to the coming PRAMS I reforms in the arabica sector, the NPMB performance contract contained hints of changes to come in operations in arabica coffee and in the North West and South West Provinces. The contract endorsed the progressive liberalization of marketing arrangements in the North West, following the lead of the SAL. However, this contract also seemed to be counseling some delay, saying that liberalization should continue on the basis of the conclusions of the coming CCCE-sponsored study of NPMB (Performance Contract, Article 7; Article 12). This is the extent of the discussion of arabica liberalization in the contract. No details are given concerning the direction that market liberalization should take.

USAID/Cameroon was critical of the performance contract and expressed disappointment that its reforms did not go very far:

> The contract retains ONCPB's [NPMB's] dominant role in stabilization, domestic and external marketing, export quality control, and representing Cameroon in international organizations and agreements covering cocoa and coffee. The operational clauses of the contract do not fundamentally change the responsibilities of ONCPB [NPMB]. Instead, ONCPB [NPMB] is still responsible for carrying out objectives which are difficult to reconcile, namely replenishing the stabilization fund while simultaneously providing fair remuneration to cocoa and coffee producers. However, by allowing ONCPB [NPMB] to take the world price into account in setting a 'fair' remuneration, the contract implicitly defines fair in relation to world market conditions. Nonetheless, the contract does not attempt to define what is meant operationally by a fair remuneration (PRAMS I PAAD: 38).

Nevertheless, the confirmation that liberalization would proceed in the North West Province created the window of opportunity that USAID/Cameroon would utilize. In the coming weeks and months, USAID would take the lead in shaping the content of the proposed reforms in arabica, crafting a concrete proposal of its own design in place of the vague prescriptions of others.

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C. The Origins of PRAMS I

1. The Rationale for PRAMS I

It was during this period, in the latter half of 1989 (August-November) after the World Bank SAL and the first reform of NPMB, that the preliminary design of what became PRAMS I was taking shape. PRAMS I was first proposed in an early document as RAMS I, part of a larger initiative to "Reform the Agricultural Marketing Sector" (hence "RAMS") in Cameroon. The initial RAMS proposal of November 1989 outlined a phased plan to liberalize marketing in Cameroonian agriculture, starting with arabica coffee and then moving on to cocoa, robusta coffee, and pesticides.[25] This document was the basis for early discussions with various GRC officials as well as several donors: the World Bank, IMF, CCCE, and the European Development Fund (EDF).[26] The RAMS initiating document was soon fleshed out in greater detail and put before the GRC and AID/Washington as "PRAMS," with three phases—PRAMS I, II, and III—included.[27]

Initial Motivations and Intentions

Why start with arabica coffee? According to one EAPRI staff member at the time, PRAMS was initially triggered by the line in the action matrix of the SAL authorizing private traders to purchase coffee in North West Province.[28] The Bank plan was to allow traders to compete with NWCA in buying coffee to sell to the NPMB. USAID/Cameroon was concerned about the survivability of NWCA in the face of this competition, and the earliest justification in the RAMS proposal document mentions the need to help NWCA through the transition to liberalization. NWCA, it said,

> deserves a fair chance to demonstrate its ability to function in a liberalized and competitive environment. To do otherwise would negate 35 years of cooperative development in the region and raise the social costs of adjustment unnecessarily.[29]

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[25] The full title of the document was *A Multi-Year Non-Project Assistance (NPA) Initiative to Reform the Agricultural Marketing Sector: RAMS.* The RAMS I design contains some interesting features that disappeared from later proposals, including a plan to limit the SAL design for arabica liberalization to only allowing private traders to purchase *processed coffee from NWCA*, an idea to use local currency generated under RAMS for severance payments for ONCPB/NPMB and CENADEC layoffs and to *purchase* ONCPB processing equipment for NWCA.

[26] PRAMS Phase I "Working Note" (dated December 1989), p.1.

[27] PRAMS II was planned to liberalize the cocoa and robusta coffee sectors; PRAMS III, the marketing of insecticides and fungicides.

[28] Interview with a former EAPRI staff member, November 20, 1992.

[29] RAMS proposal draft, p.3.

The Mission was aware that NWCA had no money to buy coffee and that the measure would thus have seriously jeopardized, if not killed, the cooperative structure. The World Bank in mid-1989 was apparently not convinced that NWCA deserved any help or was worth saving. The matter was all the more urgent since the GRC and the World Bank had agreed to allow private traders in the North West in January 1990. USAID didn't want this liberalization to go ahead before PRAMS I was launched, or else it would be too late and there would be no NWCA left to help. The on-going experience of the first months of the 1989/90 cocoa season in South West Province was also cited (PRAMS I PAIP: 21). Private cocoa traders in Francophone areas were able to get access to financing by using the crops they would buy as collateral, but cooperatives could not use this means, and NPMB was bankrupt and unable to provide financing. Farmers responded by abandoning their cooperatives and selling to traders for cash, but at deep discounts. In November and December 1989, USAID promised the GRC that they would push ahead quickly with PRAMS I and, among other things, help the NWCA.

Economic Rationale

The early stage in the design process culminated with the submission of the PRAMS I Program Assistance Initiating Proposal (PAIP) to Washington in December 1989.[30] A proposal was also submitted to the GRC at about the same time. These documents present the arguments for developing PRAMS I and explain why the program took the shape that it did.

The PAIP places PRAMS I in the context of Cameroon's Structural Adjustment Program (SAP), then just beginning, and characterizes the proposed program as USAID's effort to support the SAP (p.22). The arguments in the PAIP recommend PRAMS for other reasons as well: (1) It would directly contribute to the goals laid out in the USAID/Cameroon Mission's new Country Development Strategy Statement (CDSS) to reduce "the overextended role of the public sector" and support the development of a stronger private sector; (2) It would support the Mission's existing program in fertilizer marketing (FSSRP) and cooperative development (the Credit Union Development Project) "by further improving the policy environment in these areas;" (3) It can have an "important people-level impact by increasing rural incomes." Finally, there was the issue of comparative institutional advantage; PRAMS involved an area in which USAID/Cameroon had special "expertise and experience" (p.23). While the World Bank and the GRC had defined the broad principles of agricultural reform in the SAP, "the detailed implementation plans remain to be defined."

Thus, USAID was positioned to press forward with specific plans of action within the broader reform context. Like the earlier RAMS proposal document, the PAIP foresaw both a PRAMS I and a PRAMS II.[31] PRAMS I, to begin in Fiscal Year 1990, would not only

[30] Features of the PAIP are discussed in greater detail below.

[31] See the plans outlined in the PAIP, p.23.

"liberalize the internal and external marketing of arabica coffee," but also "establish the framework for the liberalization of robusta coffee, cocoa and other agricultural inputs." Then PRAMS II, to begin in Fiscal Year 1991, would proceed beyond arabica to "liberalize the internal and external marketing for robusta coffee and cocoa" and also "restructure the crop stabilization system."

The sequence of PRAMS activities appears to have been largely determined by the sequence of agricultural reforms planned in the SAL, and this was the reason given in the PAIP. These plans, known to USAID by mid-1989, stated that liberalization would begin with arabica marketing in the North West Province, starting in January 1990. Liberalization was then to be extended to "the cocoa and robusta marketing channels in the South West" (PRAMS I PAIP: 23). Thus, the two PRAMS phases would mirror the SAL reforms. The PAIP also suggested that an arabica project had a better chance of succeeding at that point in time. It argued that arabica, unlike robusta, could still be produced at a profit at the existing world market prices "and therefore allow for sufficient room to maneuver as the country moves from an administratively determined marketing system to a more liberal system." UCCAO also served as "a good example that private actors can efficiently and profitably purchase, process and market arabica coffee to world markets."

USAID/Cameroon Goals

PRAMS I also fit nicely within the goals of USAID/Cameroon. The goals had recently been reviewed and revised in the mission's Country Development Strategy Statement (CDSS), which was debated throughout much of 1988 before being finalized in 1989. This document diagnosed Cameroon's economic and financial problems as more fundamental than transitory in nature. They therefore indicated the need for major, permanent reform in the way the government and the economy operated--reform to reduce the government's role in the economy, develop and strengthen a market-oriented private sector, and increase the efficiency of public service provision were all believed to be essential. PRAMS I was the first major project to come after the completion of the CDSS, and it was logical that it would reflect the new mission perspective on Cameroon's development needs.

There were also internal factors leading the mission into a greater policy reform commitment. Inside the Mission was a critical mass of officers who favored policy reform and believed that it was the key to solving Cameroon's economic problems. This core included Director Jay Johnson, Economic Officer Tham Truong, and Project Design and Evaluation Officer Robert Shoemaker. This group was present in Cameroon for a relatively long period, from late 1987 to late 1991.[32] They influenced the perspective taken in the new CDSS and helped make policy reform a reality in the design of PRAMS I.

[32] A fourth key member of the group was S. Tjip Walker, a personal services contractor from 1988 to 1991.

Another key institutional event that cemented the policy reform orientation inside USAID/Cameroon was the creation of a special division of the mission to implement policy reform programs. This was the Office of Economic Analysis and Policy Reform Implementation (EAPRI), established in the summer of 1989 with Tham Truong as its division chief. It was under this division that a large part of the mission's non-project assistance in 1989-90 was conducted. FSSRP, the Free Trade Zone Project, and PRAMS I were housed in EAPRI and managed by Truong and several personal service contractors, including S. Tjip Walker, Daniel Moore, Brian Ames, and François Vézina.

2. *Proposal Highlights and Early Design Features*

The PAIP submitted to Washington in December 1989 became the template for PRAMS I. It was a fairly long document, but it did not describe at length the changes to come in the arabica sector. Being a document written for decision-makers in Washington, it spends considerable time "selling" the program: explaining the rationale behind it, justifying features in its financing, and satisfying the other requirements that all program proposals face. With regard to the scope of the policy reform, however, the PAIP laid out many of the basic features that would remain in the final program.

Stages of Reform

The design envisaged a gradual, progressive process of reform through three stages, a feature that would remain part of the program implementation. Each stage established conditions to be fulfilled, which were precedent to a disbursement of dollars at the end of each stage.

Stage One

Stage One was intended to obtain agreement on liberalization measures in three key policy areas that were necessary preliminaries to any further reform: 1) producer pricing policy, 2) operations of the NPMB, and 3) cooperative legislation. In producer pricing policy, reform would guarantee the export rights of arabica coffee processors and marketers and allow them to sell on the world market, profitably.[33] It would also allow world price differentials for washed vs. unwashed beans and high vs. low quality coffee to be reflected in the prices paid to farmers. In the second area—concerning the role of NPMB—reforms would remove NPMB from any role in arabica marketing, allow exporters independent access to world markets, "assure transparency and accountability in the management of stabilization funds," and bring the size of NPMB in line with smaller scope of the duties assigned to it (PRAMS I PAIP: 27). Finally, regarding the legal regime for cooperatives, reforms would allow marketing cooperatives generally and NWCA in particular to operate as "independent commercial enterprises free of state interference." According to the PAIP, reaching this goal

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[33] The point about profitability is in accordance with SAL conditionality asking for all prices and charges to reflect world prices and allow fiscal balance in crop sectors.

would require both reform of the existing cooperative legislation and the payment of the arrears owed to cooperatives by NPMB.

The PAIP projected that this stage would extend for the period from December 1989 to July/August 1990 and culminate in a disbursement of $7.0 million. Putting these reforms in place would lay the groundwork to enable the marketing cooperatives to function more freely in Stages Two and Three.

Stage Two

Stage Two would put in place a "quasi-liberalized market structure." This would result in a system of rules resembling that already in place for UCCAO at the time. These reforms are described as changes in "ownership flow," "financial flow," and "commodity flow." Ownership of coffee upon being sold by farmers would pass to NWCA rather than to NPMB. By owning the coffee it would ultimately market, NWCA would be able to use coffee as collateral and obtain its own crop-financing from commercial banks, rather than being forced to rely on the bankrupt NPMB. Allowing NWCA to deal directly with banks constituted the liberalization of the financial flow. In terms of the commodity flow—the physical flow of the coffee in marketing—the chain of transactions would change only at its final point. That is, coffee would pass from farmers to their primary cooperative societies, then to the union level, and then to NWCA. At that point, where before NWCA handed coffee over to the NPMB, NWCA would now be able to export directly on the world market.

Reaching this level of liberalization was not expected to take very long. The PAIP estimated it would be reached just 2-3 months after the first disbursement, in November 1990. Reform was then planned to stay at this level for two years, from December 1990 to November 1992, while NWCA was rehabilitated and prepared for full liberalization in stage three.

Stage Three

Stage Three would establish a "fully liberalized market structure," involving further liberalization of the ownership, financial, and commodity flows. At this point NWCA and UCCAO would be allowed to compete with each other and with other private-sector operators. Upon reaching this stage a farmer would be free to sell to any legitimate buyer. This stage was to begin with the release of the third disbursement of $6 million, expected in November 1992, and was expected to last from December 1992 to September 1994, the anticipated conclusion of PRAMS I.

Although the extent of liberalization called for in these three stages is not fully defined, it did not go as far as it might have. For example, the PAIP did not seek the total elimination of the stabilization system for arabica and its concomitants (a stabilization fund and required payments into the fund) or the abolition of government-set producer prices (minimum or otherwise). This would be noted with disapproval in Washington when the proposal came up for review.

Restructuring NWCA

Eventually it would be USAID/Cameroon, through a technical assistance contract, that would help NWCA restructure and prepare for liberalization. At this stage, however, the plan was for NWCA to work in partnership with the Commonwealth Development Corporation (CDC).[34] As early as the RAMS proposal, there was discussion of the type of assistance that could be provided to NWCA. Assistance to NWCA is mentioned as one of the potential uses of local currency made available by PRAMS I, specifically for readjustment costs, severance payments for dismissed workers, and training. The possibility of NWCA working with the CDC also appeared at this point, with the note that CDC had expressed "serious interest" in initiating some form of joint venture with NWCA in arabica coffee processing.[35]

The PAIP argued that when the quasi-liberalization of stage two was established in the North West Province (by December 1990 if target dates were met), arabica processing would become commercially viable again. According to the PAIP (p.30), NWCA was able to see the coming challenges and opportunities and sought out the CDC for technical assistance. A joint CDC/NWCA proposal was developed, calling for the creation of a "joint-venture arabica coffee trading company" to conduct all financing, processing and trading activities for the NWCA. NWCA and its unions would provide staff and equipment, while the CDC would provide financial and technical assistance. This was all contingent on policy reform, however, and indeed only with stage-two liberalization in place would CDC provide assistance.

Reform of the Legal Regime Governing Cooperatives

The RAMS proposal had already made it clear that liberalizing the legal regime governing cooperatives was critical to the future of the arabica sector. It states that cooperatives must be able to act as "independent commercial enterprises," without government interference, and it proposes that the national cooperative law be revised to give cooperatives full autonomy from the MINAGRI office that supervised them, the Department of Cooperation and Mutuality (Coop/Mut). It also advocated the dissolution of the cooperative-promotion parastatal CENADEC, a move that was already planned under an existing parastatal reform program, and the revision of NPMB's role to allow competition from cooperatives in marketing.

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[34] According to discussions with one former EAPRI staff member, EAPRI Division Chief Tham Truong was initially not interested in having AID involved in the intricacies of implementation of an NWCA restructuring plan. He preferred to handle the policy reform aspects at the top and leave the NWCA restructuring element to others. Having CDC involved was therefore fine, and they took part in early design meetings. Discussion notes, February 3, 1993.

[35] RAMS Draft Proposal, p.4.

D. PRAMS I Progresses: The Process of Negotiation

1. The Opening Round

On December 22, 1989, USAID/Cameroon sent letters to MINPAT Minister Elisabeth Tankeu and other GRC officials formally proposing PRAMS I. The proposal was contained in a document entitled "A Program of Reform in the Agricultural Marketing Sector, Phase I: Reform of the Arabica Coffee Subsector—A Working Note." In many ways, this document is simply a briefer version of the PAIP. However, some small changes are evident. For example, the fact that PRAMS I is only the first part of a much bigger planned reform program including PRAMS II and III is highlighted, with the three phases presented on the opening page.

The Response from the GRC

The fundamentals of PRAMS I received approval on many fronts in the first weeks of 1990. On January 5, MINPAT Minister Tankeu gave favorable, though qualified, approval of the proposal.[36] In her letter, Minister Tankeu welcomed the project and noted that it fit perfectly within the strategy taken by the government in its Structural Adjustment Program and the GRC's new commitments to liberalize agriculture. She made specific reference to the performance contract with NPMB signed on December 22, 1989. However, three issues would require further clarification: (1) the terms on which a marketing company was to be set up between the CDC and NWCA (still part of the plan at this point), (2) the precise policy on pricing of primary products, and (3) modalities of implementation in the proposal's third stage, specifically concerning the relationship between farmers and cooperatives. USAID considered Minister Tankeu's letter to be the required "Request for Assistance from the GRC."

A few days later, on January 8, the NWCA also responded in writing to the USAID proposal. NWCA indicated interest in the program but also mentioned its demands for the payment of arrears, which, according to the letter, totaled FCFA 3,508,984,804.

During the next several weeks, in the period from January to March 1990, USAID's proposal was discussed and reviewed by all the organizations and groups potentially involved with its take-off and implementation.[37] These discussions involved, among others, AID/Washington, the GRC (MINDIC, MINAGRI, MINPAT) the NWCA, the World Bank, the European Community, the CDC, and the CCCE.

[36] Letter No. 2/CF/MINPAT/IG2/CT/PAS, of January 5, 1990.

[37] AID's May 1990 Negotiating Document (discussed below) refers specifically to "the January-March 1990 review with all interested parties."

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The Response from Washington

On January 11, 1990, the PAIP was reviewed at an AID Executive Committee for Project Review (ECPR) meeting in Washington, with mission Director Jay Johnson and Project Design and Evaluation Officer Robert Shoemaker present. The ECPR praised the thoroughness of the PAIP and ultimately approved the document, authorizing a move to the next stage of program development. However, the committee conditioned ultimate approval of the program on further progress in two areas, both directly concerning the policy-reform content of the proposal. The ECPR was concerned that expectations for liberalization did not go far enough and did not establish full market liberalization ("a market system free of any government interference") for arabica coffee by the end of PRAMS I.[38] It objected to the fact that the PAIP allowed an arabica stabilization fund and government-set floor producer prices to remain at the end of the program. Final approval would require that USAID/Cameroon negotiate and obtain an agreement that the GRC eliminate the stabilization fund and fully liberalize producer pricing for arabica. The ECPR felt that given the economic crisis in Cameroon and in the arabica sector in particular, the GRC would agree to full liberalization.

2. *Resolving Issues*

Several critical, inter-connected issues had to be resolved before PRAMS I could be moved forward. The policy dialogue with the GRC over arabica marketing arrangements had begun by November 1989. EAPRI calculated that it had to begin shaping the direction of reform immediately in order to delay or alter the introduction of private traders in the North West Province described in the SAL and at the same time help NWCA prepare for eventual competition. This effort would involve negotiations with many parties, including the GRC, NWCA, and, in particular, other donors. While the arabica coffee buying season was formally launched at the end of November, 1989, it was more or less still-born given the lack of crop financing. There was still time in December and January, however, to influence the conduct of the campaign. Therefore the mission moved ahead quickly: "The Mission's aim was to negotiate marketing rules for the 1989/90 season that would at least not harm the prospects for a sensible program of policy reform in the future and might even advance liberalization efforts before the implementation of PRAMS I" (PRAMS I PAAD: 40).

Interim Agreements

The next point at which important parameters for PRAMS I were finalized was at a major meeting in Yaoundé on February 16, 1990, held to deal with certain of USAID's "preconditions" to further progress on PRAMS I and, in particular, those requiring coordination with other donors: with EDF on Stabex money for arrears repayment, with the World Bank on Licensed Buying Agents in the North West. The meeting was presided over

[38] Unclassified cable from AID/Washington entitled "ECPR Guidance," dated February 3, 1990.

by the Inspector General no.2 of MINDIC, Urbain Olanguena Awono, and included representatives from the World Bank and CCCE.

According to the GRC document that is an official report of the meeting,[39] three major issues dominated the discussion and were resolved as follows:

- **Licensed Buying Agents in the North West:** After consulting with MINAGRI, MINDIC agreed to sign orders excluding LBAs from NWCA's zone of operation for the next three campaigns, beginning with 1989-90.

- **Arrears Owed to NWCA:** Arrangements for payment were arrived at in consultations between the GRC and the European Community by tapping into funds from STABEX 87/88. The document says that the figures here come from USAID. Financial needs were estimated by USAID at FCFA 1.5 billion, which comprised FCFA 1 billion for arrears and FCFA 500 million for purchasing the new crop.

  After "intense debate" about the STABEX funds, it was agreed that the following financial arrangements would be acceptable:

  -- 700 million FCFA would be available immediately, if requested by GRC officials, to settle NWCA accounts. It was decided that 500 million FCFA of this amount should be available for the purchase of the new (1989/90) crop and 200 million FCFA for arrears.

  -- the remaining 800 million FCFA that was needed could in principle be available by April/May 1990 as an advance on STABEX transfers for 1989. This would be used for arrears.

- **Exports of Coffee by NWCA:**

  -- NWCA has the right to export 2000 tons of arabica coffee from the coming crop (1989/90).

  -- NWCA is free to negotiate its own contracts corresponding to the above tonnage.

  -- In exporting, the NWCA can "chose the commercial network most advantageous to it, NPMB or UCCAO," but will strictly respect quality norms and the rules of stabilization applicable to arabica.

[39] "Conclusions de la Reunion du 16 Fevrier 1990 sur le PRESCA." Signed by meeting chair Urbain Olanguena Awono of MINDIC.

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According to the report of the meeting, discussions on the final point highlighted the fact that it was difficult procedurally suddenly to grant NWCA the right to export on its own because existing commercial agreements of NPMB had to be considered. There were also concerns with the maintenance of quality. The admission of UCCAO as an alternative agent to NPMB for handling NWCA exports at the port was reportedly accepted by the representatives of NPMB and MINDIC "only with great reluctance."[40]

At this point, though no agreements had been signed, USAID was already making an impact on the system for marketing arabica coffee. For example, the February meeting secured many of the conditions that USAID wanted to establish for the 89/90 buying season. USAID was pleased with the results of the February meeting:

> [I]t is clear from the negotiations on the USAID's proposals that the Mission has succeeded in convincing the GRC that liberalization of the arabica market is necessary (perhaps even desirable), but furthermore that such liberalization should be carried out in a systematic manner which would reduce the social costs of moving to a system of full competition. The GRC's reversal of its decision to introduce Licensed Buying Agents into the North West was a clear indication of their acceptance of the USAID approach to liberalization (PRAMS I PAAD: 40).

It was also necessary to obtain the World Bank's agreement that NWCA's monopoly would be maintained for the 1989/90 and 1990/91 seasons and, subject to a joint review, for the 1991/92 season. Although the Bank had some reservations, they were encouraged by the prospect that USAID and the CDC would be working with NWCA to improve its performance. The letter of agreement from the Bank's Cameroon Resident Representative came at the end of March.

The May 1990 Negotiating Document

By early May, USAID/Cameroon had developed a list of the core features of PRAMS I for which it had to secure formal GRC agreement. To achieve mutual understanding and agreement, USAID prepared a short, two-page summary document that was the subject of several meetings with GRC officials and others. The document, based on and referring to the earlier agreements reached with MINPAT Minister Tankeu in December and January, spelled out USAID's requirements in eight short points, with an implementation calendar attached. The eight points were as follows:

1) **Export Right.** Increase NWCA's right to export directly to foreign markets from 40% of the North West Province crop to 100% in January 1991, the beginning of the 90/91 campaign.

[40] Internal World Bank memorandum on the meeting, dated February 19, 1990.

2) **Private Traders/LBAs.** Delay the introduction of private traders and LBAs into the North West until the 91/92 campaign at least and, subject to review, the 92/93 campaign if necessary.

3) **Arrears.** Repay all NWCA's arrears owed by NPMB, payment to be completed "by December 1990 at the latest."

4) **Equipment.** Transfer the ownership of the hulling and conditioning equipment under the custody of NPMB/Bamenda "from NPMB to NWCA by December 1990 at the latest."

5) **Prélèvement NPMB.** Suspend the collection of the 38 FCFA/kg levy beginning with the 1990/91 arabica campaign in January 1991, with the suspension to last until December 1993.[41]

6) **Stabilization Fund.** "Abolish the arabica coffee stabilization fund controlled and managed by NPMB, in December 1993 at the latest. Authorize Stabilization funds controlled and managed by cooperatives if approved by cooperative members."

7) **Producer Price.** Abolish government-set producer prices for arabica coffee by December 1993 at the latest.

8) **ICO Stamps.** Adopt a system of allocating International Coffee Organization (ICO) stamps to ensure that arabica coffee can be exported without government encroachment into the sector and can benefit from the ICO support price in case an ICO agreement is reached.[42]

Meetings based on this document were held with MINAGRI Minister John Ngu (May 4), MINDIC (May 7), and the CDC (May 9). By mid-May, MINDIC Minister Abanda had responded favorably to several of the points in the May Negotiating Document.[43] On the first four points in the document, Abanda stated his general agreement, with some modifications. However, for the last four (5-8 above), all having to do with the stabilization system, he noted that it would be premature for him to discuss and anticipate decisions that would be made after studies and consultations with other donors (certainly a reference to the

[41] This request for a mere suspension of this levy would change within weeks to one for the outright elimination of the levy, when it became clear in June and July that NPMB itself would be dissolved.

[42] At the time, there was a possibility that the ICO's system for managing the world coffee market was going to be revived. This never occurred, but the prospect had to be taken into account as the PRAMS I Program was being designed.

[43] MINDIC Letter No.2360 from Abanda to USAID, dated May 14, 1990.

study on restructuring NPMB then under way). Fundamentally, then, MINDIC's stated objections to USAID plans were based on their uncertainty regarding what would happen with NPMB.

E. Final Negotiations and Signing

1. Final Changes

Surprisingly, June, July and August 1990 would see some major changes in the PRAMS I design. These were concerned mainly with the restructuring of NWCA and the impending abolition of NPMB.

The CDC Proposal

One of the major changes that took place in the final stages of PRAMS I design was a decision on NWCA's part to reject the CDC proposal of restructuring and technical assistance. The CDC design team made a first visit in April of 1990 and then came back in early July to make a proposal to NWCA and USAID. The plan was not what either USAID or NWCA had in mind. The CDC had adopted a top-down management approach that focused attention at the apex level rather than the 40 primary marketing societies that make up the bottom tier of NWCA. The apex would control things: it would own all the equipment; it would staff the mills. There was little concern for the independence of the area cooperative unions and their member societies.[44]

Earlier, USAID had commissioned a study of the institutional arrangements for arabica marketing in the North West and West Provinces. The study, conducted by consultants from the Workshop in Political Theory and Policy Analysis at Indiana University, recommended a bottom-up, quasi-market design for restructuring the cooperatives and their relationships in the North West (Gellar, Oakerson, Wynne 1990). According to USAID, "as design progressed, differences emerged between the strategy adopted by CDC, which tended toward greater centralization of control at the apex level, and the vision of the NWCA Board of Directors which, like USAID, favored greater decentralization. CDC's proposal to NWCA was deferred by the Board of Directors on July 7, 1990. NWCA then requested USAID to put together a financial and technical assistance package that was more consistent with their views" (PRAMS I PAAD: 69). The latter were put before the NWCA Board of Directors on July 26 and unanimously approved on July 27.

[44] Interview with former EAPRI staff member, February 3, 1993.

The SOFRECO Report and Its Implications

On July 18-19, 1990, a draft of the SOFRECO report on NPMB was discussed by donors at two days of seminar meetings. The report proposed the elimination of NPMB and the advent of freedom for traders to operate throughout the country, including thereby the NWCA and UCCAO areas. However, the report also proposed the continuation of a stabilization system and government setting of minimum prices. It did not regard these as interim measures on the road to full liberalization.

USAID's main concern was to protect the distinct arrangements that they were carving out for arabica, and in this they succeeded. Nothing in PRAMS I was threatened by the coming changes in the other sectors. USAID did, however, take advantage of the coming NPMB dissolution to change its request for a mere suspension of the "prélèvement ONCPB" to a request for its outright elimination. In addition, USAID added a condition requiring the introduction of a graduated tax structure for arabica coffee, reacting to a suggestion in the SOFRECO report that such a system be introduced for cocoa and robusta coffee as well.

Final Negotiations and Signature

All of these changes had to be incorporated into the PRAMS I Program Assistance Approval Document (PAAD), USAID's final, internal document describing and justifying the proposed program, which was being drafted and revised throughout July and August.

On July 30, USAID/Cameroon Director Johnson met with the Secretary General at the GRC Presidency, Edouard Mfoumou, and received authorization and instructions to pursue the final negotiations for PRAMS I with the Ministers at MINAGRI and MINDIC. These discussions reached final agreements on all the reforms to be undertaken and the uses of program funds. MINDIC agreed to send USAID a Letter of Intent committing the government to the course of full liberalization of coffee marketing.[45]

There was some urgency to resolving and signing the agreements, since the Cameroon mission had been told by AID/Washington that after August 31, 1990, funds not committed "are subject to possible reallocation."[46] On August 14, USAID/Cameroon cabled AID/Washington to inform that the specific ECPR language on liberalization has been accepted by the GRC. On August 23, the final versions of two key PRAMS I documents, the Program Grant Agreement and the Project Grant Agreement, were submitted to MINPAT Minister Elisabeth Tankeu, who would be signing for the GRC, for review. The Program Grant Agreement stated the conditions precedent to dollar disbursements and the methods of disbursement. The Project Grant Agreement and its annexes explained how project funds

[45] This was prepared with USAID's assistance and comments, and a draft was submitted on August 28, in time to be included with as a PAAD Annex.

[46] Letter from Director to Johnson to Secretary General Mfoumou, dated August 23, 1990.

could be used, mostly to provide assistance to NWCA. Finally, on August 30, 1990, the PRAMS I Program Grant Agreement and Project Grant Agreement were signed in a televised ceremony by USAID/Cameroon and the GRC. Signing for the US government were then-Ambassador Frances Cook and USAID Mission Director Jay P. Johnson. Signing for the GRC was MINPAT Minister Tankeu. PRAMS I formally began.

2. *Summary of the Policy Reform Component*

The Final Design

The Policy Reform Component section of PRAMS I is described in Section V of the PAAD (pp.51-68). This section continues with the theme of the three stages of liberalization, as developed initially in the PAIP. It identifies *four* major areas of reform with <u>nine</u> objectives:

Pricing Policy—

1. "Replacing the present system of administered prices with market-based pricing;"

2. "Dismantling the existing system of mandatory contributions to a government-controlled crop stabilization fund and permitting arabica marketing organizations full financial autonomy and to establish internal stabilization or reserve funds as they see fit;"

Marketing Policy—

3. "Removing government control over marketing costs and margins and replacing the existing inefficient tax structure with a single graduated tax;"

4. "Eliminating ONCPB/NPMB from a direct role in either the internal or external marketing of arabica coffee;"

5. "Replacing the existing system of administered quality control with a market-based system and turn over verification to private sector firms;"

Cooperative Policy—

6. "Limiting the government's power to intervene into the internal management of arabica coffee marketing cooperatives."

7. NPMB shall pay arrears owed to NWCA.

8. NPMB will transfer to NWCA the assets "owned by, or under the custody of, NPMB/Bamenda."

9. NWCA shall get its share of quotas if a new ICO agreement is signed.

There are now four scheduled cash disbursements, rather than the three proposed earlier. The PAAD makes note of the change and the continued desirability of having three disbursements, one after each stage. But "[u]nfortunately the heavy demand for generated local currency early in program implementation and the limits on FY 1990 resources necessitates four, rather than three, disbursements."[47]

The PAAD also called for the creation of an Arabica Policy Coordinating Committee (APCC) within the GRC. This feature was intended to help with the implementation of PRAMS I "in terms of compliance with the conditions precedent, programming and managing the sector cash grant and the generated local currency, and providing general oversight to the implementation of the restructuring and supporting components" (PRAMS I PAAD: 125). The committee would be chaired by a representative from the Ministry of Plan and will group representatives from relevant GRC agencies (MINDIC, MINAGRI, CAA) in addition to USAID. The committee would meet four times a year or as often as necessary to deal with emerging issues" (p.125). The APCC was modelled after the Technical Supervisory Committee created for FSSRP.

Summary Highlights of Conditions Precedent to Dollar Disbursements

First Disbursement: $7.5 million

While the Program Grant Agreement does not divide the conditions precedent (CPs) in this way, according to the December 12, 1990 Action Memorandum on the First Disbursement, the eight conditions precedent to this disbursement in three categories (administrative, financial, substantive). The administrative and financial conditions have to do with formally ratifying the Program Grant Agreement and with the establishment of accounting procedures and special accounts for the disbursement of dollars. Of most concern here are the "substantive" conditions, which have several components:

- The GRC must produce a **Letter of Intent** duly signed and committing the GRC to move forward with a graduated tax structure for arabica coffee and replace the multi-year stabilization system in arabica with one in which the existing and any future marketing cooperatives in North West and West

[47] PRAMS PAAD, p.53, footnote 6.

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Provinces are allowed to adopt "pricing structures that are independent of the supervision or control" of the NPMB. Such pricing structures should guarantee "full financial autonomy" for the cooperatives and other organizations "in the setting of producer prices based on processing costs and world market prices for arabica coffee."[48]

- **Export Right:** The GRC must furnish a written agreement that it will grant NWCA by no later than December 31, 1990, "the right to export arabica coffee directly to foreign markets."

- **Monopoly Buying Rights:** The GRC must furnish a written agreement that it will maintain the status of the existing cooperatives in the West and North West as "the sole authorized buyers of arabica coffee" in the region, thereby postponing the introduction of licensed buying agents or any other buyers into the region "until either the 1991-92 or 1992-93 campaign, as determined by the joint cooperative review" of the GRC, USAID, the World Bank and CCCE and the cooperative. The review (called the Joint Cooperative Review) is to be held in August 1991.

- **Payment of Arrears:** Finally, the GRC must furnish to USAID "a written plan for the repayment of all arrears" owed to NWCA by the NPMB, no later than December 31, 1990.

The Grant Agreement established the deadline for fulfillment of these conditions as November 1, 1990.

Second Disbursement: $3.5 million

- **Maintenance of Previous Conditions:** The GRC must continue to 1) allow NWCA the right to export arabica directly; 2) maintain the monopoly status of arabica cooperatives in the West and North West; 3) allow the arabica cooperatives to adopt pricing structures guaranteeing their full financial autonomy.

- **Transfer of Equipment:** The GRC must have submitted a detailed timetable, agreed to by NWCA and NPMB, for the "transfer to NWCA of all the hulling equipment in the custody of NPMB/Bamenda by December 31, 1990 and for the transfer of all other assets owned by or in the custody of NPMB/Bamenda" by a mutually agreed-upon date.

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[48] Program Grant Agreement, Section 3.1 (b) (ii).

- **Legal Regime for Cooperatives in General**: The GRC must have "released and applied a 'Declaration of Policy for Cooperatives and Other Economic Groups' which will govern the application of the legislation then in effect relating to cooperatives."

- **Legal Regime for Arabica Cooperatives**: The GRC must have "released and applied a 'Statement of Policy on Marketing Cooperatives in the Western Region' which will govern the application of the legislation then in affect" relating to the arabica cooperatives. Through this "Statement" the Supervisory Minister of cooperatives shall do several things:

  -- waive the requirement of the compulsory and education reserve funds for the arabica cooperatives;

  -- identify the types of investments the arabica cooperatives can make in support of the PRAMS program;

  -- apply those sections of the cooperative law and decree relating to supervision and control toward the arabica cooperatives "in a manner consistent with full liberalization of marketing and autonomy for cooperatives;" and

  -- free the arabica cooperatives to revise and improve their accounting practices and allow annual audits solely by chartered accounting firms;

- **Payment of Arrears**: The conditions precedent to the second dollar disbursement do not mention payment of arrears owed to NWCA.

The deadline for fulfillment of these conditions was January 1, 1991.

Third Disbursement: $3.5 million

- **Maintenance of Previous Conditions**: The GRC must continue to 1) allow NWCA the right to export arabica directly; 2) maintain the monopoly status of arabica cooperatives in the West and North West; 3) allow the arabica cooperatives to adopt pricing structures guaranteeing their full financial autonomy.

- **Transfer of Assets**: The GRC must have **completed** the orderly transfer of NPMB hulling equipment and of all other assets.

- **Payment of Arrears**: The payment of arrears must be complete. According to the text, the GRC must have "caused all arrears owed to the NWCA by the ONCPB/NPMB to be repaid."

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- **Graduated Tax Structure:** The GRC must have "put into place" a graduated tax structure for arabica coffee.

The deadline for fulfillment of these conditions was April 1, 1991.

Fourth Disbursement: $3.5 million

- **Maintenance of Previous Conditions:** The GRC must continue to 1) allow NWCA the right to export arabica directly; 2) allow the arabica cooperatives to adopt pricing structures guaranteeing their full financial autonomy.

- **Legal Regime for Cooperatives:** The GRC must have submitted legislation to the National Assembly that revises or replaces the existing law on cooperatives and provides for "full managerial and financial autonomy" for arabica cooperatives, limiting the role of the GRC as a regulator of cooperatives.

- **Liberalization of Marketing:** The GRC has ended the monopoly status of the arabica cooperatives and opened the internal and external marketing of arabica coffee to "full competition."

The deadline for fulfillment of these conditions was January 1, 1993.

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II. THE POLICY REFORM COMPONENT OF PRAMS I-- IMPLEMENTATION PHASE

This portion of the report traces the path of reform followed by PRAMS I, focusing on the fulfillment of conditions precedent to dollar disbursements, highlighting critical points along the way.

A. The Beginning of PRAMS I: Early Days and the First Disbursement

The immediate task before the GRC and USAID was to meet the conditions for the first dollar disbursement. To review, these conditions were largely administrative and financial, relating to mechanisms for disbursement of funds and supply of local currency. As regards policy reform, the most important requirements were as follows:

- The release of a **Letter of Intent**. The GRC must furnish USAID with a letter of intent in which it commits itself to specific actions in two areas:
    - to establish and promulgate annually a **Graduated Tax Structure** for arabica coffee;
    - to allow NWCA and any future arabica coffee marketers in the North West and West Provinces to withdraw from NPMB control and from its stabilization system, and to grant them "**full financial autonomy**" to set producer prices based on operating costs and world market prices.
- **Written agreements** by the GRC to undertake the following actions:
    - **Export Right**: grant NWCA the **right to export** arabica coffee directly to foreign markets no later than December 31, 1990;
    - **Monopoly Buying Rights**: continue the monopoly rights of cooperatives in the North West and West to buy arabica coffee, postponing the introduction of other buyers until the 1991/92 or 1992/93 campaign, as determined by a joint review of PRAMS I expected to take place in August 1991;
    - **Payment of Arrears**: furnish a satisfactory plan for the **repayment of all arrears** owed to NWCA by NPMB. Repayment to be made by December 31, 1990.

These conditions were to be met by November 1, 1990, according to the Grant Agreement.

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PRAMS I began on August 30, 1990, and the conditions precedent to the first dollar disbursement were to be met by November 1, just two months later. Meeting these conditions and making the first disbursement were important not only for a financially-strapped GRC, but also for USAID. The local currency would be needed for the operation of the project. The viability of the project depended on the financial health of the NWCA, which was at the time insolvent, and urgently needed its arrears payments before the beginning of the 1990/91 buying season. As USAID pointed out to the government: "The failure to initiate the resolution of NWCA's arrears problem in November 1990 will, at the outset, doom all efforts to rehabilitate that cooperative structure, on of the principal objectives of PRAMS I."[49]

Finally, it was important that the marketing reforms for the arabica campaigns begin in timely fashion so that the entire schedule and sequence of PRAMS activities could proceed in proper sequence. A great deal of effort was expended by all parties and certainly by USAID, to meet the conditions precedent as soon as possible. Nonetheless, by November 1, 1990, many conditions were unmet. After discussion with GRC officials, USAID decided to extend the terminal date to November 30, 1990.[50]

[49] Letter to MINDIC Minister Owona, dated October 19, 1990.

[50] The GRC was notified of this decision in AID's Program Implementation Letter (PIL) No.3 of November 9, 1990.

Table 2

Chronology of Events in the Implementation of PRAMS I

August 30, 1990	PRAMS I begins.
November 8-10, 1990	NPMB/NWCA/USAID meeting held to determine NWCA arrears payments.
November 30, 1990	Conditions precedent to first dollar disbursement are met.
June 1991	Legislation comes out restructuring the export crop sector, eliminating NPMB, creating ONCC and CICC.
August 22, 1991	Conditions precedent to second dollar disbursement are met.
November 1991	Some NPMB assets in the North West transferred to NWCA.
December 17-20, 1991	First PRAMS I Annual Review held. NWCA/UCCAO purchasing monopolies extended through 1991/92 season.
January-April 1992	USAID and other donors work to correct deficiencies of export sector restructuring decree.
November 1992	USAID begins intensive lobbying effort to obtain full liberalization for the 1992/93 arabica season.
January 1993	Consideration of an arabica market information system (AMIS) begins.
February 26, 1993	GRC press communique announces full liberalization of arabica coffee marketing.
April 20, 1993	Follow-up communique announces a government-sanctioned minimum price for arabica coffee.
September 1993	AMIS Phase I begins broadcast of world and Douala prices for arabica coffee.
December 1, 1993	1993/94 arabica coffee season begins, with full liberalization, including variable pricing.
January 1994	AMIS Phase II begins broadcast of arabica producer prices by region.

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1. *Resolution of the NPMB Arrears Problem*

While most of the conditions precedent to the first dollar disbursement could be fulfilled by the government writing letters of intent or issuing decrees, the question of the arrears owed to NWCA farmers by NPMB was very complicated and required extra effort and ingenuity to resolve. Consequently USAID/Cameroon staff spent considerable time on the problem. One of the necessary preliminaries to paying the arrears was to determine how much was owed to NWCA. This required a reconciliation exercise. Efforts to arrive at a consensus on the amounts owed had been dragging on for over a year. In mid-October USAID staff held several meetings with officials from the CCCE, then working on the NPMB restructuring, and with NWCA.[51] Unfortunately, as both organizations presented their figures on the extent of arrears it became clear that they were radically different. Their totals were far apart.

In late October, USAID seized the initiative and suggested the formation of a "verification team" to supervise a reconciliation meeting at which the issues would be settled once and for all. This proposal was accepted, and beginning on November 8, 1990, a meeting was convened in NPMB offices in Bamenda, under MINDIC auspices, to resolve the arrears, with EAPRI's Tham Truong in attendance. After three days of difficult discussion and negotiation, and with USAID insisting on a resolution, the meeting concluded successfully with the parties agreeing to a figure of 2,013,108,940 FCFA owed to NWCA.

A follow-up review meeting to confirm the figures and payment agreement was held at MINDIC in Yaounde on November 13. Official notice of the successful outcome of the meeting was communicated on November 30, 1990 in a letter to the USAID/Cameroon director from MINDIC Minister Owona. In this letter, Minister Owona laid out a schedule for paying NWCA in three installments in December 1990 and January 1991 (one from USAID and two from EEC Stabex funds).

2. *Conditions Fulfilled, Dollars Disbursed*

On November 30, a letter with attachments from Secretaire d'Etat Alinga at MINPAT formally fulfilled many of the remaining conditions precedent to the first dollar disbursement. The attachments included: 1) a "*Lettre d'Intention*" on the restructuring of the arabica coffee *filière*, dated November 22, 1990; 2) a declaration granting NWCA an export license and a monopoly on arabica export from the North West; 3) a plan for reimbursing arrears owed to NWCA by NPMB; and 4) a letter naming the members of the APCC.

An Action Memorandum recommending disbursement was approved and signed by Mission Director Johnson on December 14, 1990. USAID/Cameroon's request for disbursement was completed and payment was made on December 28. On that date the

[51] USAID/EAPRI Letter No.47, to MINDIC Minister Owona. Dated October 19, 1990.

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exchange rate was 256 FCFA/$1 US dollar. This put the franc value of the disbursement at 1.92 billion FCFA. The GRC's local currency component of 1.92 billion FCFA was deposited in January 1991. Over the next year this money was used primarily to fund four initiatives:

1) Payment of arrears owed to NWCA farmer-members. Amount: 1.52 billion FCFA (disbursed in January 1991).

2) Creation of a Crop Financing Revolving Fund for NWCA. Amount: 267 million FCFA (disbursed in May 1991).

3) Purchase of spare parts and equipment for NWCA Apex and Unions. Amount: 130 million FCFA (disbursed throughout 1991).

4) Purchase of motorcycles for Peace Corps Volunteers working with NWCA's marketing societies. Amount: 10 million FCFA (disbursed in October 1991).[52]

Together, these projects used the entire amount of local currency available.

3. *Launching the 1990/91 Arabica Campaign*

The second important, pro-active initiative USAID took in the first months of PRAMS I was to see to the proper launching of the 1990/91 arabica coffee campaign. According to the Grant Agreement, the cooperatives marketing arabica coffee in the North West and West Provinces would now participate in a joint exercise with the government in order to determine a uniform producer price.[53]

On December 10, 1990, USAID/Cameroon sent a letter to MINDIC Minister Owona reminding him of the new requirements and proposing a method and schedule for consultation on price setting.[54] USAID proposed that the consultation take place in Yaoundé during the December 19-21 period and also noted that the consultation would be a good opportunity for the GRC to publicize the November 22 Letter of Intent and its promised restructuring of the arabica coffee sector (as required in the Grant Agreement). It asked MINDIC to invite representatives of NWCA, UCCAO and COOPAGRO to the consultations.

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[52] Minutes of the PRAMS I First Annual Review, December 17-20, 1991, p.20. This information comes from the presentation of Julien Gonta, Deputy-Director of the *Caisse Autonome d'Amortissement*.

[53] Section 3.1(b)(ii) of the PRAMS Grant Agreement. The key document affirming this change was the November 22, 1990, Letter of Intent submitted by the GRC to fulfill conditions for the first disbursement.

[54] USAID/EAPRI Letter No.62 of December 10, 1990.

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EAPRI then proceeded to plan meetings in late December between the arabica cooperatives and the GRC. A meeting was held at MINDIC on December 19 at which USAID/Cameroon, NWCA, and UCCAO presented their joint plan for the 1990/91 season: 1) elimination of the 38 FCFA paid as "*prélèvement ONCPB*"; 2) establishment by NWCA and UCCAO of their own independently-managed stabilization funds; 3) setting of producer price for washed/good bean at 250 FCFA/kg; 4) setting of producer price for unwashed beans at the same level as the robusta coffee price. All elements of the plan were accepted by MINDIC and the GRC.

The 1990/91 arabica coffee campaign was opened on January 25, 1991, by ministerial decree. The "textes de campagne" for the arabica sector, continuing with the development of its own more liberal policy regime, were nonetheless still part of the broader "textes de campagne" for the coffee sector as a whole. As part of the *textes de campagne*, on January 17, 1991, Presidential Decree No.91/062 came out, setting floor prices for arabica coffee. According to the USAID statement on GRC actions for the second disbursement (p.2): "A set of 'guaranteed (minimum) producer prices' for arabica coffee was developed through consultation between the Cooperatives and GRC (as represented by MINDIC) and officially declared" in this decree.

Another key feature of the policy regime for the 1990/91 arabica coffee season—key for USAID/Cameroon, PRAMS I, and the NWCA—was the maintenance of NWCA's monopoly on the marketing of arabica coffee in the North West. As required by PRAMS I conditionality this was guaranteed by the GRC in writing via MINDIC/MINAGRI Ministerial Order no.4, issued on January 23, 1991 and included in the "*textes de campagne*" for the season. This order also fulfilled that portion of the conditions precedent to the second dollar disbursement, which required that the GRC would maintain the NWCA as the "sole authorized buyer" in the North West.

Thus, the chief features of the 1990/91 arabica season were:

- prices sanctioned by government but not unilaterally set by government;
- no more stabilization fund for arabica;
- no more NPMB "*prélèvement*;" and
- maintenance of NWCA's monopoly on the marketing of arabica in the North West.

In short, conditions precedent to the first dollar disbursement were met in a timely fashion.

4. *Parallel Reform Efforts by the CCCE*

USAID/Cameroon was not the only donor active in export crop sector at the time. French pressure was also very influential, and they had been working with on the GRC on the reform of NPMB. The SOFRECO report (discussed above) was issued in July 1990. Now it was time for action on the report to take place. A critical first move by the GRC was the enactment by the National Assembly of Law 90/051 authorizing President Biya to implement by ordinance the restructuring of the cocoa and coffee sectors.[55]

One week later, on December 26, 1990, the GRC signed a 10 billion FCFA ($40 million) loan agreement with the CCCE. The conditions attached to the agreement were that the GRC would issue Presidential Decrees by June 1991 agreeing to do the following:

- abolish NPMB;
- replace the NPMB with a smaller body with 50-100 employees called, for the time being, the "*Organe de Filière*;"
- define the role of the "*Organe de Filière*" as limited to monitoring and quality control at the export stage;
- finance the operating budget of the "Organe" with revenues from a new levy on cocoa and coffee exports; and
- assign previous NPMB responsibilities for the licensing of exporters, management of the stabilization system, setting of producer prices and fixed processing and marketing costs to MINDIC.[56]

All of these conditions were met in the coming year.

USAID/Cameroon monitored the CCCE's reform efforts and sought to influence them when PRAMS was potentially affected. For example, in response to concerns that the sector would retain a stabilization fund, USAID obtained confirmation from the CCCE that this was only an interim arrangement on the way to full liberalization. Nonetheless, along the parallel path of French-sponsored reform in the export crop sector an alternative to the USAID approach to liberalization was being assembled.

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[55] Law 90/051 of December 19, 1990. Reprinted in Cameroon Tribune (French edition), January 16, 1991.

[56] See p.7 of the PRAMS Phase II Concept Paper (dated July 1992), by Tham Truong.

B. Proceeding to the Second Disbursement

With the meeting of the conditions precedent to the first dollar disbursement, it was time to turn to the conditions precedent to the second. To review, these conditions were as follows:

- **Transfer of Equipment:** For the second disbursement, the GRC has to have to have submitted a detailed timetable, agreed upon by NWCA and NPMB, for the transfer of all NPMB/Bamenda equipment and other assets to NWCA.

- **Legal Regime for Cooperatives in General:** The GRC must have "released and applied a 'Declaration of Policy for Cooperatives and Other Economic Groups' which will govern the application of the legislation then in effect relating to cooperatives."

- **Legal Regime for Arabica Cooperatives:** The GRC must have "released and applied a 'Statement of Policy on Marketing Cooperatives in the Western Region' which will govern the application of the legislation then in effect" relating to the arabica cooperatives. Through this "Statement" the Supervisory Minister of cooperatives shall do several things:

  -- waive the requirement of compulsory and education reserve funds for the arabica cooperatives;

  -- identify the types of investments by the arabica cooperatives in support of the PRAMS program for which approval is granted;

  -- apply those sections of the cooperative law and decree relating to supervision and control toward the arabica cooperatives "in a manner consistent with full liberalization of marketing and autonomy for cooperatives;" and

  -- free the arabica cooperatives to revise and improve their accounting practices and allow annual audits solely by chartered accounting firms.

In the Grant Agreement (Section 3.6), the GRC had until January 1, 1991, to meet these conditions.

Given that the first disbursement had been made only in mid-December, it was clear that the deadline for the second disbursement was going to be missed, though USAID had hopes that all the conditions could be met very quickly. However, in a letter of March 25, 1991, USAID extended the deadline for the second disbursement to April 30, 1991, and the deadline for the third disbursement, to August 1, 1991.

1. Developments in Context—Legislation Restructuring the Filières

While the conditions for the release of the second disbursement were slowly being met, the attention of USAID/Cameroon and many of the other donors was diverted by events affecting the export crop sector as a whole. According to the terms of the December, 1990, CCCE loan to assist the repayment of arrears and other financial problems in the export crop sector, the GRC had to pass liberalizing legislation by June 1991, and on rather specific terms. In this case, the GRC began its work seriously and met the deadline.

USAID/Cameroon followed the progress of this legislation closely, not just because it affected PRAMS I and the arabica sector (since in some ways a special regime for arabica was now being carved out), but out of a desire to influence the process and push liberalization as far as possible and to prepare the way for PRAMS II. The latter was already being mentioned and proposed in cable traffic with Washington and would liberalize cocoa and robusta on the arabica model.

The GRC released a draft ordinance in early March, 1991. This was reviewed by the donors and found by USAID and others to be very restrictive. At a meeting of donors and the GRC on March 27, USAID/Cameroon Director Johnson noted that the draft did not advance the cause of liberalization, since it appeared to increase government involvement in price fixing and stabilization and reintroduced buying committees (*commissions d'achat*). He also pointed out that the draft made no mention of the special rules governing arabica.[57] This omission was viewed as highly threatening to PRAMS I and led to a vigorous USAID protest to the GRC. Several donors and cooperative representatives made comments on the draft, and in fact the donors submitted their own draft ordinance to MINDIC Minister Owona on April 25. These were reflected in the GRC's final draft.

The ordinance, which in many ways launched the restructuring of the export crop sector as a whole, was finally issued on June 12, 1991. Presidential Ordinance no.91/007 ("*Portant Restructuration des Filières Cafe-Cacao*") was released, as well as Presidential Decree no.91/274 ("*Portant Creation et Organisation de l'Office National du Cacao et du Cafe*"). The ordinance outlined the new rules for the purchasing and marketing of cocoa and robusta in particular. It dissolved the NPMB and outlined the two types of institutions that would take its place: the *organisme interprofessionnel* and the *organe des filières*. The Decree of the same day formally created the *Office National du Cacao et du Cafe* (ONCC), intended as the *organe des filières* required by the ordinance. The *organisme interprofessionnel* would eventually be formed in late 1991 as the *Comité Interprofessionnel du Cafe et Cacao* (CICC), an organization representing the exporters of coffee and cocoa.

[57] Official minutes of meeting.

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The law was to apply to the coffee and cocoa sectors, but it does not mention NWCA by name. Nonetheless, it was a comparatively liberal arrangement and set up key organizations (especially CICC) that would allow the export crop sector to begin to manage its own affairs independent of the government. USAID had no serious objections to the ordinance, which in some ways helped to facilitate the reforms it was working on in the arabica sector. USAID's intervention and that of other donors had helped to produce an important piece of progressive legislation along the path of reform.

2. *Meeting Conditions Precedent to the Second Dollar Disbursement*

Progress in meeting many of the conditions precedent to the second dollar disbursement went very slowly in the first half of 1991. The new April 30 deadline for meeting the conditions came and went with many steps still to be taken. As of late May, only two conditions remained to be fulfilled. They were relatively simple—a decree granting NWCA full export accreditation and an export code and a decree eliminating the *prelévèment NPMB*—and it is not clear why the GRC took so long to act on them. USAID moved to prod the government into action with a letter to MINPAT Minister Tchouta, identifying the conditions that remained and suggesting how they might be addressed.

On May 31, 1991, MINPAT Minister Tchouta wrote to MINDIC, pointing out some of the steps yet to be taken that stood in the way of the second disbursement. This helped to get the ball rolling again. A joint meeting was subsequently held among USAID, MINPAT, MINDIC and MINAGRI on June 6, 1991, at which they discussed extending the terminal dates for the second disbursement to June 30, 1991. At the meeting, the MINDIC Secretary General informed USAID that his Minister would be sending a letter to the Presidency shortly, to urge the issuance of presidential decrees granting export rights to NWCA and eliminating the NPMB *prélèvement*.[58] This show of good faith prompted USAID/Cameroon to agree to the June 30, 1991, extension.

As the conditions were finally beginning to be fulfilled in early July, USAID/Cameroon extended the deadline by one more month, to July 31, by which time the GRC had fully complied, as follows:

- **Maintenance of NWCA Monopoly Rights**: This was guaranteed by Ministerial Order No.004/MINDIC/MINAGRI of January 23, 1991, and appears in the *textes de campagne* for the 1990/91 coffee season.

- **Interim Changes in the Cooperative Legal Regime**: This condition was met fairly quickly and satisfactorily on January 28, 1991, with the release by MINAGRI of the "Declaration of Policy on Cooperatives and Other Economic Groups." Here USAID had help from another donor, since the release of this

[58] This June 6 meeting is described in a USAID/EAPRI letter to MINPAT Minister Tchouta Moussa, dated June 17, 1991.

Declaration was also a condition precedent to the commencement of the World Bank's SODECAO Project (the latter would actually begin shortly after the release of the Declaration).

- **Transfer of Assets:** One condition met just in time for the April 30 deadline was the requirement that the GRC submit a "detailed timetable" suitable to NWCA and the NPMB for the transfer of all hulling equipment and other NPMB assets in Bamenda. USAID facilitated this process with an approach similar to that used for the settlement of arrears. EAPRI arranged a two-day meeting in Bamenda in late March that brought together GRC representatives, NPMB, and NWCA, and hammered out a precise schedule of steps to be taken over the following weeks to arrange the transfer.[59] With this effort, the condition was finally fulfilled with the submission on April 29 of MINDIC letter No.0164 from Minister Owona. The letter laid out a detailed schedule of transfers, with the last to be done by July 31, 1991.

- **The Policy Statement on Arabica Cooperatives:** On May 23, 1991, a very critical piece of the new liberalized regime for the arabica cooperatives was put into place. This was the release by MINAGRI of the "Statement of Policy on Marketing Cooperatives in the Arabica Coffee Region of Cameroon." This two-page document adopted much of the language found in the Grant Agreement, and granted, point by point, the requirements of the Agreement, including freedom from the tutelage of Coop/Mut and the right of the arabica cooperatives to invest as they saw fit, to revise their accounting procedures, and to make their own decisions on educational funds.

- **Suppression of the "Prélèvement NPMB":** Though not mentioned specifically as a condition precedent in the Grant Agreement, this measure was indirectly required in order to satisfy a condition guaranteeing the financial autonomy of the arabica coffee cooperatives. This condition was finally satisfied by Presidential Decree 91/313 of July 5, 1991. According to the USAID statement of GRC actions for the second disbursement (p.2), "With the suspension of the 'Prélèvement ONCPB [NPMB]' the GRC abolished the stabilization fund for arabica coffee and, by the same token, granted full autonomy to the Cooperatives of the Western Region." Eliminating the *prélèvement* was of considerable benefit to NWCA, for example, allowing it to save 100 million FCFA in 1990 and 300 million FCFA in 1991.[60]

[59] See minutes of meeting, March 26-27, 1991.

[60] Official minutes of PRAMS I Annual Review (December 17-20, 1991), p.37.

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- **Final Measures**: Several of the conditions were not fulfilled until July. In addition to the elimination of the *prélèvement*, the other last-minute actions were as follows:

  -- granting NWCA export rights: This was achieved with Presidential Decree 91/312, issued July 5.

  -- granting NWCA its export code: NWCA confirmed that it received this on July 27.

August 1, 1991 remained the officially extended new terminal date for the third disbursement. It had been extended from its original date in the Grant Agreement of April 1, 1991. August 1 was therefore the last "official" terminal date for the third disbursement, extended formally by USAID. The numerous other extensions were made by less formal communications between USAID and MINPAT or MINDIC.[61]

USAID confirmed that the conditions precedent to the second dollar disbursement had been met on August 22, 1991. The U.S. government did disburse the dollars, but the GRC failed to come up with the local currency equivalent (1,006,250,000 FCFA) within the 45 days allotted. In fact, the local currency was not deposited by the GRC until May 14, 1992. This became a significant problem, delaying a planned increase in the NWCA's Crop Financing Revolving Fund (CFRF). It was also to be used to fund the Technical Assistance project that was to assist NWCA with restructuring.

C. The 1991/92 Arabica Coffee Season

The second disbursement of $3.5 million was made available to the GRC on September 12, 1991, though it was several months before the GRC could come up with the local currency equivalent. Attention shifted to the conditions precedent to the third dollar disbursement of $3.5 million. To review, these conditions were as follows:

- **Maintenance of Previous Conditions**: The GRC must continue to 1) allow NWCA the right to export arabica directly; 2) maintain the monopoly status of arabica cooperatives in the West and North West; 3) allow the arabica cooperatives to adopt pricing structures guaranteeing their full financial autonomy.

- **Transfer of Assets**: The GRC must have **completed** the orderly transfer of NPMB hulling equipment and of all other assets.

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[61] See the EAPRI memo by François Vézina of April 30, 1993, on the extension of terminal dates for the third and fourth disbursements.

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- **Payment of Arrears:** The payment of arrears must be complete. According to the text, the GRC has to have "caused all arrears owed to the NWCA by the NPMB to be repaid."

- **Graduated Tax Structure:** The GRC must have "put into place" a graduated tax structure for arabica coffee.

The initial deadline in the Grant Agreement, for meeting these conditions was April 1, 1991; however, the deadline had been officially extended to August 1, 1991.

1. The First Annual Review and the 1991/92 Arabica Season

In the Fall of 1991 it was time to prepare for the 1991/92 arabica coffee season and the first Annual Review of PRAMS I. The latter had been delayed from its originally scheduled time of August 1991, but needed to take place before the start of the 1991/92 season, since it was at this review that the donors, cooperatives and the GRC would decide about the extension of the NWCA and UCCAO buying monopolies in their areas.

The Annual Review was held in Bamenda, North West Province, on December 17-20, 1991. A number of donors were represented, including the World Bank, GTZ, and UNDP. Several ministries and divisions of the GRC were also represented: MINAGRI, MINDIC, MINPAT, the *Caisse Autonome*. The group held a special meeting on the question of extending the buying monopoly for one more season and decided that the extension should be granted.

The coffee buying season did not begin until January. In accordance with the PRAMS I agreement, the government did not unilaterally set the producer price for NWCA and UCCAO, but simply announced the "negotiated" price of 250 FCFA/kg that these two organizations agreed upon. NWCA was not fully ready for the campaign. It was suffering from a lack of funds, due in large part to the fact that the GRC had not yet deposited the local currency from the second dollar disbursement. This funding was to have increased NWCA's crop financing fund. Consequently, NWCA began to accumulate arrears for the season in its payments to employees, suppliers, and farmers.[62] A second problem was that, though the GRC agreed to the extension of the NWCA/UCCAO monopoly, they never publicized the extension in any way, in spite of frequent attempts by USAID over the next months to secure a decree or press announcement of some kind.

[62] Report of the First Intra-Annual Assessment of PRAMS I, by Ronald Oakerson (dated May 8, 1992), p.6.

2. *Events Elsewhere in the Filières*

In the final months of 1991 there was a lot happening, or not happening, generally in the export crop sector. The donors' preferred draft of the Cooperative Law, important for PRAMS I, the Bank's Sodecao project, and several other donors' projects, had been sent to the Prime Minister's office in late October. There it was rejected as being too detailed, and the GRC was instead producing its own draft law.

- **In Cocoa:** The 1991/92 cocoa campaign was launched on October 11, 1991. The declared price for cocoa was 220 FCFA/kg for grade I and grade II. In spite of the 10.5 billion FCFA of arrears to farmers already paid earlier in the year, there were still substantial arrears owed in the sector at this time. These included a further 4 billion FCFA owed to farmers, and 25 billion FCFA owed by the government to the banking sector. The MINDIC Minister who presided over the meeting opening the campaign stated that the final arrears would be paid with STABEX funds when they were released to the government.[63]

- **Creating the ONCC and CICC:** With the dissolution of the NPMB, it was time to create the new institutions that would help manage the export crop sector. The ONCC was perhaps easier to establish. An interim manager for the ONCC was already in place in October (the former manager of NPMB, in fact) and attended the meeting that opened the 1991/92 cocoa season.[64]

The donors were also concerned about developments with the new *Conseil Interprofessionel du Cafe et Cacao* (CICC). The plan for CICC had been set out in Article 27 of the June 12, 1991 Restructuring Ordinance. However, the GRC and MINDIC were having trouble getting the CICC set up.[65] As of the end of December, this body was still not operational, if for no other reason than that the results of the elections for CICC President had been annulled by the government.[66] The CICC did finally begin operation of a sort in late 1991 and early 1992. One of the first things the CICC did was to get deeply involved in the fight to overturn the GRC's offensive January 22, 1992 decree implementing the June 12 Restructuring Legislation (discussion above).

[63] EAPRI memo to the files by Rostand Longang, on the opening of the 1991/92 cocoa campaign. Dated October 21, 1991.

[64] EAPRI memo to the files by Rostand Longang, on the opening of the 1991/92 cocoa campaign. Dated October 21, 1991.

[65] Reference in a Memorandum of Conversation by Tham Truong with MINDIC Secretary General Jean-Marc Oyono, dated August 26, 1991.

[66] See summary of a donor meeting about the Cooperative Law held at UNDP on December 23, 1991.

3. *PRAMS I Conditionality and Disbursements*

The first of what would be many extensions of the terminal date for the third disbursement was made in 1991 via Program Implementation Letter (PIL) No.7. This extended the deadline from the original April 1, 1991 date in the Program Grant Agreement, to August 1, 1991. This date passed as well, without all conditions being met. On September 20, USAID/Cameroon sent a letter to MINPAT Minister Tchouta Moussa pointing out what was left to do in meeting the conditions and suggesting that he propose a new terminal date for the third disbursement.[67] On November 29, 1991, MINPAT's Secretary of State Ndinga asked USAID to extend the terminal date for the third disbursement from August 1 up to January 15, 1992.[68] Meeting the conditions precedent for the third disbursement was proving difficult for the GRC, on all fronts, for a variety of reasons.

Payment of Arrears

There was a question of interpretation with regard to the payment of arrears. The condition precedent as stated in the Program Grant Agreement is that the GRC "has caused all arrears owed to the NWCA by the ONCPB/NPMB to be repaid." This condition was elaborated upon somewhat by USAID/Cameroon, to say that the Grant Agreement "requires documented and verifiable evidence that arrears owed to NWCA by NPMB/ONCPB have been accurately and fully paid *at all levels of the NWCA*."[69]

And this had not been done satisfactorily. While EAPRI acknowledged that the GRC had effectively caused all arrears to be paid to NWCA, the NWCA had not caused all arrears to be paid to all levels of the cooperative structure. Instead, it used part of its arrears funds paid by STABEX to finance crop purchases, which were later sold at a loss of approximately 164 million FCFA.[70]

Transfer of Assets

Another key problem was the transfer of NPMB assets in the North West Province. Transfer was not made by July 31, as promised in the detailed timetable for transfer that was part of the conditions precedent to the second dollar disbursement. A letter from MINDIC dated November 12, 1991 explained that it had not been possible to keep the previous schedule because it was decided that the NPMB would be dissolved. A liquidator had to be

[67] Program Implementation Letter No.9.

[68] MINPAT/SG Letter no.1944 of November 29, 1991.

[69] This is the phrasing as it appears in PIL No.9 of September 20, 1991. Emphasis added.

[70] EAPRI internal draft document, dated April 7, 1992.

appointed, and this was done by presidential decree on October 14, 1991. The November 12 MINDIC letter proposed a new deadline of November 30, 1991, for full transfer.

A good portion of the assets in question were in fact transferred by that deadline. Some hulling and conditioning equipment was transferred in November 1991. However, a dispute had developed with ex-employees of the NPMB over payment of terminal benefits, and they refused to allow the NPMB headquarters building in Bamenda to pass over to NWCA. The GRC had a plan to pay outstanding terminal benefits with money from Cameroon's 1990 STABEX funds, but the release of these funds was being delayed.[71]

Graduated Tax Structure

A new graduated taxation system for arabica coffee exports had not been put into place by this time, nor did it appear that the GRC had made any moves to do so.

D. January Restructuring Decree and Aftermath

At the beginning of 1992 there was still little action toward meeting the conditions precedent to the third dollar disbursement. On January 13, 1992, MINPAT Minister Tchouta Moussa asked for another extension of the deadline (the third at this point), to March 16, 1992.[72]

The chief pre-occupation of USAID and other donors at this time, however, lay in the new legislation governing the export crop sector as a whole. While the June 12 Restructuring Ordinance had come out, its decree of application had yet to appear. On December 16, 1991, the draft version of this decree was released to donors by the office of the Secretaire d'Etat at MINDIC.[73] The draft decree appeared very inconsistent with the earlier June 12 ordinance and was not well received by donors, several of whom quickly began to mobilize to fight against it. This controversy surrounding the restructuring decree, which would take several months to resolve, marked another critical point on the path of PRAMS I reform for USAID/Cameroon.

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[71] MINPAT/SG Letter no.0048 of January 13, 1992.

[72] MINPAT/SG Letter no.0048 of January 13, 1992.

[73] The letter of January 14, 1992 from the *Caisse Centrale* to the Minister at MINDIC, there is reference to MINDIC letter no.145 of December 16, 1991.

1. *Donor Objections to the Decree*

USAID was very concerned about the content of the draft decree, and by the end of December had decided to bring in legal advisors to take a look at the law. In mid-January the Mission hired two legal consultants, Godfred Penn and Claire Okani, to analyze and critique the draft, both in light of the precedents set in the more liberal June 12 Restructuring Ordinance and in light of the commitments made in PRAMS I agreements. They were also asked to propose alternative legislation that would fix the problems found and make the regulations more compatible with the liberal policy regime USAID was trying to encourage in the export crop sector.

Other donors, including the CCCE and the World Bank, also had objections to the draft decree and began to move to oppose it. The Director of the CCCE sent a letter to MINDIC Minister Owona on January 14, voicing its concerns. Lawyers Penn and Okani produced a memo for USAID dated January 21, 1992, finding several problems with the draft decree. However, in spite of these objections the implementing decree was released on January 22, 1992, in almost precisely the same form as the draft.

From USAID's perspective, one of the major deficiencies of the Decree was that it failed to take notice of the special provisions USAID had negotiated in PRAMS I to govern the arabica coffee sector. The distinction between arabica and robusta coffee was rarely made, and blanket references to "coffee" were the rule. Several specific features were found objectionable:

- The new decree generally allowed much more government intervention in the coffee/cocoa sector. Penn and Okani found fourteen different instances of intervention in the decree, compared to nine in the ordinance. For example, Article 12(4) of the decree gave MINDIC the right to fix reference and producer prices for coffee and cocoa.

- Many of the instances in which the June 12 ordinance referred to consultation with the CICC were omitted in the decree. Instead, it is more often simply stated that MINDIC or the ONCC would carry out the task in question.

- On the issue of a stabilization fund, the decree did not recognize that a government-run stabilization fund would be in complete violation of the PRAMS I Program Grant Agreement. It stated that in setting up and managing a stabilization fund, the GRC need only consult with the organizations involved.[74]

[74] EAPRI internal document by François Vézina on the meeting of conditions for the third disbursement, dated April 7, 1992.

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- Articles 4(3) and 8(1) of the decree stated that a license to purchase and market both cocoa and coffee is granted throughout the national territory. This was problematic since it did not recognize the continued monopoly of NWCA and UCCAO in their promises. NWCA also should not be forced to apply for a new license under the new decree.

Traders and other economic operators in the sector had similar objections. Representatives of the newly-formed CICC stated that they were never consulted during the drafting of the decree. The decree also seemed to strengthen the ONCC in an alarming way, at the expense of the CICC.[75] USAID met with traders and cooperatives on several occasions in this period, particularly through the CICC, and worked to incorporate them into the effort to revise the decree.

Why was a decree so offensive to so many allowed to see the light of day? One explanation put forth was that the GRC was forced to rush to promulgate the implementing decree in order to meet conditions precedent to the disbursement of some STABEX funds (perhaps those still outstanding to help pay arrears in the cocoa sector, as noted in Section I). Thus, they had no time for delay while donors were consulted and their opinions incorporated into changes in the draft.[76] This notion--that the flaws in the decree were unintentional and the result of haste rather than malice--may be correct. The supposition is supported by the fact that government officials did not try strenuously to defend the decree. For example, MINDIC Secretary General Jean Oyono acknowledged at an APCC meeting in March that the decree was not perfect, and he said that the GRC was not opposed to re-examining it.[77]

2. *Fixing the Decree*

The donors, CICC, and USAID acted fairly quickly to repair the damage done by the decree. In response to complaints brought by USAID, MINDIC asked for USAID's comments in detail, as well as a complete new draft of the decree. To work on such a draft, USAID organized a major meeting of donors and operators active in the cocoa and coffee sectors. This meeting was held on February 26, 1992, and included representatives from the CICC, the World Bank, ILO, CCCE, FAC, GTZ, and cooperatives such as UCCAO, UCAL, NWCA, and SOWEFCU. The participants reviewed a draft decree that USAID and its Cameroonian consultants, Penn and Okani, had prepared. The meeting also decided to work closely with the CICC on the matter and to submit a revised decree to the GRC through that organization.

[75] See USAID/EAPRI memorandum of conversation with CICC President Jean-Bernard Ndonga Essomba, on February 18, 1992.

[76] EAPRI memo to the files by Rostand Longang, on the genesis of the various pieces of Restructuring Legislation. Dated July 29, 1992.

[77] EAPRI summary memorandum of March 12 APCC meeting, dated April 8, 1992.

Perhaps in response to the controversy it had aroused, on February 27 the GRC issued a second decree modifying the January 22 decree. Unfortunately, the second decree did nothing to mollify the complaints of organizations involved in the export crop sector. In fact, there were offensive provisions in this decree as well, which only made matters worse.[78] The CICC held a General Assembly meeting on March 6, 1992, to which donors, USAID personnel, and consultants Okani and Penn were invited. The meeting further discussed the alternative draft decree and moved shortly to submit the latter to MINDIC.

On its own, USAID also tried to apply pressure to address the January 22 decree problem through the Arabica Policy Coordinating Committee (APCC). Resolving the Decree problem featured prominently on USAID's agenda for the APCC meeting, on March 12. At the meeting, EAPRI Chief Truong pointed out that the January 22 decree was inconsistent with several elements of the PRAMS I Grant Agreement, and noted that USAID would be sending a letter to the APCC stating its specific objections. He further mentioned that the donors and the CICC had written their own draft replacement decree, which the CICC would be submitting shortly to the government. USAID also pointed out that the January 22 Decree violated conditions precedent to the second dollar disbursement of PRAMS I.[79]

USAID and the donors worked successfully through the CICC to resolve the problem, and eventually the GRC backed away from the mess it had created. The draft that the donors developed with the CICC was submitted to the government in June of 1992, and it emerged as Decree No.92/726/PM of August 20, 1992. Though not perfect, the new decree was found to be satisfactory, and USAID let the matter rest.[80] A problem that threatened the progress of liberalization, not only in the arabica sector but in the export crop sector as a whole, had been satisfactorily resolved. In addition, the donors, with USAID taking the lead, had made an important contribution in bolstering the influence of the nascent CICC and attempting to establish the principle of consultation in policy-making within the export crop sector.

3. *Policy Reform and Conditions Precedent to the Third Dollar Disbursement*

While USAID was working to resolve the crisis of the January Restructuring Decree, other aspects of PRAMS I inched slowly forward. At the March 12 APCC meeting, many issues related to policy reform came up. To deal with the graduated tax structure issue, USAID proposed establishing a working committee involving MINDIC, the Ministry of Finance (MINFI), and the CICC. The MINDIC representative responded by requesting an outline of USAID's ideas on the matter. The government also noted that it was preparing a decree to finalize the transfer of all NPMB assets in the North West. Finally, USAID reminded the APCC of the need for the government to announce that the monopoly for

[78] Field notes. Interview with AID/Cameroon staff member, October 15, 1993.

[79] EAPRI memorandum of meeting, dated April 8, 1992, p.3.

[80] See the legal analysis of Godfred Penn in his Legal Memorandum to USAID, dated October 8, 1992.

NWCA and UCCAO had been extended at the December Annual Review. The deadline for completion of the conditions precedent to the third dollar disbursement had already been extended to March 15, and at this meeting USAID suggested a further extension, to July 31, 1992. The deadline for the fourth disbursement remained January 1, 1993.

On May 14, the GRC finally deposited the local currency from the second dollar disbursement. Mid-1992 saw a major staff turnover at USAID/Cameroon. In May, the Director, Jay Johnson, was replaced by Peter Benedict. In July, EAPRI Chief Tham Truong departed. Among his final contributions to USAID/Cameroon was a detailed proposal for PRAMS II, the extension of reform to the robusta coffee and cocoa sectors. His replacement as EAPRI chief was Kifle Negash. A new Deputy Director, Ronald Harvey, also arrived at this time. Robert Shoemaker had departed in December of 1991.

In the summer of 1992, progress on satisfying the conditions precedent to the third and fourth dollar disbursements was mixed. One step forward was the passage of the new cooperative law, a condition of the fourth disbursement, on August 14, 1992. On the other hand, the Bamenda assets of the moribund NPMB had still not been transferred to NWCA, and this was an important condition holding up the third disbursement. The cause for the delay continued to be the claims by ex-NPMB employees for more terminal benefits, making it difficult for MINDIC or the official liquidator to make the transfer. There was no further progress on the establishment of a graduated tax structure either. Perhaps due to the change in staff, USAID had begun to entertain taking a different approach to some of the conditions. In September, EAPRI began to look closely at the feasibility of keeping the implementation of a graduated tax structure as a condition precedent, for example.[81]

E. Securing the Rules for the 1992/93 Season

The period from November 1992 to April 1993 brought the work of EAPRI and USAID on liberalization of the arabica coffee sector to a climax. The extended monopoly of NWCA and UCCAO and the continued government involvement in marketing in the sector were to end with the 1992/93 season, which, in November 1992, was just about to begin. The goal of PRAMS I in the national arabica coffee marketing regime for the 1992/93 season was to achieve full liberalization of arabica marketing. The Mission, after exerting great effort, finally secured the release of a MINDIC press communique on February 26, 1993, which announced almost a complete liberalization. Within a matter of days, however, it became clear that the new MINDIC Minister, Patrice Mandeng, wanted to back away from the communique's liberalization and coordinate some kind of price fixing between UCCAO and NWCA. After several abortive meetings, all parties finally assembled at MINDIC on April 20 and set a **minimum price of** 200 FCFA/kg. This unsatisfactory conclusion to a

[81] EAPRI memorandum, dated September 22, 1992.

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coffee season terribly managed by the GRC put EAPRI/USAID relations with the government concerning PRAMS I at a low point.

1. USAID Efforts to Launch a Liberalized Season

At the beginning of the 1992-93 arabica coffee season in October-November 1992, two principal actions were required of the GRC by conditions set forth in the Program Grant Agreement:

- "Prior to the onset of the 1992-93 campaign, [the government will] announce publicly the closing of the 1991-92 coffee campaign and termination of the special monopoly status of the NWCA, UCCAO and COOPAGRO cooperatives as sole authorized buyers of arabica coffee in the West and North West provinces, thereby permitting Licensed Buying Agents to operate in these provinces" [Section 3.3 (a) (ii)]; and

- "Prior to the onset of the 1992-93 campaign, [the government will] announce publicly that the GRC permits existing cooperatives and all future marketing organizations involved in the marketing of arabica coffee to adopt, without prior consultation with the government, pricing structures that guarantee full financial autonomy for such cooperatives and marketing organizations" [Section 3.4 (a) (iii)]

The above conditions were conveyed in a letter to MINDIC Minister Rene Owona from Director PBenedict, dated November 12, 1992. The deadline for fulfilling these conditions as of that point was January 1, 1993. USAID also strongly encouraged the GRC in the same letter to take two additional steps for the sake of liberalization and transparency:

- "Announce publicly that the GRC will henceforth no longer publish or decree arabica producer prices, whether minimum or fixed."

- "Announce publicly that the GRC will henceforth no longer formally launch the opening and closing of future arabica coffee campaigns, starting with the 1992-93 campaign."

These were the major issues in USAID's arabica policy-reform dialogue with the GRC at the beginning of (and throughout) the 1992-93 season.

Over the next weeks, USAID lobbied heavily to get a good, liberal press release from MINDIC as soon as possible. This involved numerous meetings and phone calls with a number of MINDIC officials up to the Minister, as well as activity through the APCC. Time was of the essence, since arabica coffee buying generally begins by mid-December or early January at the latest. The task was made more difficult by an inopportune change of ministers at MINDIC on November 28, 1992; Rene Owona was replaced by Patrice Mandeng.

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USAID subsequently sent another letter to the new MINDIC Minister on December 18 reminding him of what needed to be done to fulfill the conditions contained in the Grant Agreement.

In addition, events of October 1992 to February 1993 took place in a context of political chaos and confusion. After controversial and hotly contested presidential elections in October, Cameroon's political opposition, particularly in the North West Province, was very upset at President Biya's victory. Rioting and general strikes caused the government to declare a state of emergency in the North West, which would last for several weeks in November and December. The situation and the very questionable circumstances surrounding Biya's election victory put a tremendous strain on U.S. relations with the GRC, and a suspension was placed on the introduction of new USAID activities--a suspension that ultimately would not be removed.

One other approaching hurdle was the January 1 deadline for meeting conditions precedent to the fourth dollar disbursement and announcing the end of the monopoly of NWCA and UCCAO in their buying zones. In early January the deadline was extended to January 15, but even this left little time. MINDIC's initial position was very protectionist. On January 6, a senior MINDIC advisor, Louis-Claude Nyassa, presented a proposal that the monopoly rights of cooperatives in the North West and West Provinces be extended to June 1, 1993, and that the GRC, after consulting with the arabica cooperatives, should again decree a producer price for the season.[82] Another critical issue that arose at this time was the idea of having an arabica market information system (AMIS) to publicize the producer prices offered. MINDIC was very apprehensive of price variation, both among buyers and over time, during a marketing season. A market information system became one of their key demands.

A full APCC meeting was held on January 25. The MINAGRI representative pointed out that the new cooperative law prohibited making any extension of buying monopolies for NWCA and UCCAO illegal. This reasoning was accepted by the APCC. At a January 26 meeting, APCC President Alinga of MINPAT stated that the monopoly was indeed finished and that MINDIC should release a press communique to this effect. A letter from Minister Mandeng of January 27 acknowledged the same point. Mandeng was also willing to abandon the practice of MINDIC's announcing the opening and closing of arabica coffee marketing seasons. Finally, in a critical step, Minister Mandeng accepted the notion of different prices for different buying structures, with the reservation that these prices should be announced at the beginning of a buying campaign and then should not change during the season.

This position was accepted by USAID as being *de facto* full liberalization, since no trader or cooperative would be able to maintain a single price in the face of competition from other buyers who offered higher prices. In addition, the GRC continued to mention the need

[82] USAID letter to MINDIC minister Mandeng, dated January 8, 1993.

for a market information system, both at the APCC meeting and in Minister Mandeng's letter, in which he asked for further details on how such a system would work. Most significantly, MINDIC's position was that a working market information system would be a pre-condition for full liberalization in the 1993/94 season. USAID quickly developed a scope of work for a technical consultant to design a system, but resisted the idea that any such system would be a precondition for further reform.

By February 1, USAID had a draft text of the proposed MINDIC press communique that appeared satisfactory. Unfortunately, the final announcement of the communique was delayed for over two weeks, during which time EAPRI tried several times to speed up the pace of action, to no avail. One factor that appears to have delayed matters was that Minister Mandeng wanted to make the announcement himself, but had a busy overseas travel schedule. MINDIC continued to press its own demands as well. On February 15, 1993, Minister Mandeng sent a letter mentioning "two elements" that must be implemented very quickly if the full effects of liberalization for the farmer are to be realized: 1) a "*programme de sensibilisation des cooperatives et des producteurs*" to be implemented by MINAGRI with assistance from USAID, and 2) a cooperative and producer information system on world market prices, to be implemented by USAID. Mandeng stated that the GRC considered these two as a conditionality for the full liberalization of the arabica sector and asked that USAID make the two elements operational as soon as possible.

Thus, during this period of January and early February, MINDIC's acceptance of USAID's position on liberalization became progressively more complete. A memo by PRAMS I Coordinator François Vézina of February 2, 1993, describes the stages of agreement on the part of "the GRC" to accept full liberalization. According to the memo there was almost daily progress, and by February 1 the GRC had agreed to a) end the monopoly of the cooperatives; b) eliminate an official start-date for arabica campaigns; c) accept separate producer pricing by cooperatives and traders; d) consider NWCA as only one of many licensed buyers in a competitive system; e) announce unconditionally and immediately the full liberalization of arabica marketing in 1993-94.

2. *The February 26 Launch of Campaign*

The meeting and press conference that opened the arabica season was finally held on February 26 by MINDIC Secretaire d'Etat Pierre Eloundou Mani. MINDIC Minister Mandeng was out of the country. The press communique referred at length to the new cooperative law and changes in policy stemming from it, including the fact that, according to the law, the administrative boundaries put on cooperatives were removed. Hence, those cooperatives that previously enjoyed marketing monopolies in the West and North West could no longer retain these privileges.

One key paragraph stated that the formula for fixing producer prices for arabica used in the previous two campaigns will no longer be used. Henceforth, the new formula is one in which "it is up to each buying structure to fix its price" and to publicize it by all possible

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means, "to help the planter make his decision to entrust his product to the cooperative or buyer of his choice." The critical final sentence of the paragraph: "This price will be unique by buying structure (*unique par structure d'achat*) for all the 1992/93 campaign." This press communique was signed and sealed by MINDIC Minister Mandeng, and he alone, a fact that would prove significant later.

Breakdown of Agreement

Very shortly after the release of the February 26 communique and what appeared to be a successful launching of the campaign from USAID's perspective, the situation began to unravel. Somewhat ominously (in retrospect), MINDIC Secretary of State Mani on March 4 called a meeting in Douala for March 5, to "examine the practical modalities in applying the directives" in the February 26 communique. USAID was invited to this meeting, to be held at ONCC at 10:00 AM, along with cooperatives and other arabica coffee buyers. EAPRI's François Vézina went to Douala to attend, but the meeting could not be convened because the principal MINDIC representative failed to arrive.

Real evidence of MINDIC backsliding and likely failure to live up to the spirit and letter of policies stated in the February 26 Press Communique appeared in an invitation from MINDIC Minister Mandeng himself, inviting USAID to attend a meeting at UCCAO in Bafoussam on March 11. Also invited were the other arabica marketing cooperatives. The stated agenda was an "examination of the producer prices decreed by the above-mentioned cooperatives." USAID received the invitation on March 10 and became concerned. No one from USAID attended. This meeting was abortive; Minister Mandeng himself did not show up.

To clarify the situation and remind the government of its commitments, EAPRI officers Negash and Vézina scheduled a meeting with Mandeng for March 16. Mandeng was unavailable, and they met instead with the MINDIC Secretary General, who seemed uninformed about the matter.[83] For its part, MINDIC continued to try to schedule a coordinating meeting with operators in the arabica sector. On April 13, 1993 an announcement came from MINDIC calling a meeting to harmonize the arabica producer price; the meeting was planned for April 16. USAID was not invited, but received a copy of the CICC's invitation along with a querying fax from them on April 15. The invitation clearly stated that the purpose of the meeting was to "harmonize the producer price of arabica coffee for all buying structures for the 1992-93 campaign." On Friday, April 16 the General Manager and other NWCA senior staff were in Bamenda meeting with USAID on a different matter and therefore could not attend. Since NWCA is an important actor in the arabica sector, the meeting could not be held. The delay was threatening the success of the arabica coffee season, since throughout this time the government had not yet announced a definitive position on producer price and therefore was hindering the ability of anyone to buy coffee.

[83] Field notes, March 16, 1993.

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3. *The April 20 Meeting and Press Communiques*

On April 20, a meeting was finally held that included all the key parties. USAID was not invited, but learned of its results. This meeting produced one principal press communique, followed by a second smaller one. USAID also obtained the minutes of the meeting.

This meeting was held in the conference room of the offices of MINDIC Minister Mandeng. Present were Mandeng, his Secretaire d'Etat Pierre Eloundou Mani, MINAGRI Minister Njinyam, and the Presidents and General Managers of UCCAO and NWCA. Alex Maramenides, the Secretary General of the CICC, was also present. The minutes of the meeting indicate that it was largely used to negotiate and produce a common price for both NWCA and UCCAO. Both bodies presented their figures for calculating the producer prices they had been offering thus far during the season. Based on a beginning FOB Douala price of 352.5 FCFA/kg, UCCAO's costs dictated a price of 227.4 FCFA/kg, while NWCA's costs resulted in a price of 176.5 FCFA/kg. Both bodies had made administrative decisions to round these up to 250 FCFA/kg and 200 FCFA/kg, respectively.

While MINAGRI Minister Njinyam recommended a compromise price of 225 FCFA, NWCA representatives pointed out how disastrous this would be for them. In the end, a price of 200 FCFA was decided upon as a "minimum guaranteed producer price," with the stipulation that all extra earnings gained from sales, if the world market price rose, must be passed on to farmers. This decision was made public by the second press communique, presumably issued the same day or shortly thereafter, which again emphasized that farmers would benefit from any "firming up" of world market prices.

The Press Communique

The principal press communique for this meeting is similar to that of February 26, but with some key differences. Like the earlier one, it also goes to some lengths to explain the new rules for marketing arabica coffee as altered by the new cooperative law of August 14, 1992. The purpose of this lengthy explanation was to point out

- that those cooperatives that once enjoyed a purchasing monopoly in the West and North West Provinces are henceforth in competition with each other; but

- it is mentioned more than once that membership in cooperatives obligates members to sell to that cooperative or resign. Therefore only "planters who are not members of cooperatives or common initiative groups are free to sell their coffee to the buyers of their choice."

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The key paragraph states that

"For the coffee campaign of 1992/1993, **one unique producer price will be fixed by all the buying structures.** This unique price will be made official by the government and will be publicized by all methods of communication possible, to aid in the decision of the planter who is not a member of a cooperative or a common initiative group to entrust his product to the cooperative or buyer of his choice."

At first reading it might appear that this calls for one producer price for each structure, just as stipulated in the February 26 communique. This is especially true since there is then the same subsequent statement that planters (this time stating specifically that it is planters who are not members of cooperatives or common initiative groups) will be able to choose a buyer. But the word "each" does not refer to a price for "each structure," and from the minutes of the meeting it is very clear that the idea that different buying structures can have different prices had been completely rejected.

The next paragraph discusses the Arabica Market Information System (AMIS) and also proved contentious. It stated that the AMIS, to be put in place with the assistance of USAID, will be the object of "an evaluation" at the end of the 1992/1993 campaign. A move from fixing a uniform producer price to implementing a system of prices varying by structure would happen when the results of the information system are demonstrated to be satisfactory, "for perfect transparency in the policy of liberalization of arabica coffee rests solely on the effectiveness of this information system." This Press Communique, unlike that of February 26, is signed and sealed by both MINDIC Minister Mandeng and MINAGRI Minister Njinyam.

After April 20

USAID's response to the April 20 events was not vociferous. MINDIC tried to avoid the issue; EAPRI tried twice to arrange meetings between Director Benedict and Minister Mandeng, but failed both times.[84] USAID subsequently learned that the February 26 Press Communique had been released without securing approval of the text from MINAGRI or the Prime Minister's Office, both of which had copies under review.[85] Among the objections to the process on the MINAGRI side was their contention that MINAGRI must participate in decisions affecting cooperatives, since MINAGRI is the ministry that houses Coop/Mut, as well as the new Registration Service to be set up under the new cooperative law, and is responsible for cooperatives generally. This placed in doubt the entire process by which the communique was arrived at, as well as its content, and opened the door for revisions that proved a definite step backward.

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[84] Field notes, May 24, 1993.

[85] Interview with François Vézina, May 13, 1993.

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F. PRAMS I Final Year: AMIS and Full Liberalization

USAID turned its attention to an arabica market information system, now officially dubbed "AMIS." By default the GRC's demand that AMIS be considered a *quid pro quo* for further liberalization had been accepted. AMIS consultant Eric Tollens made an initial visit in March of 1993 and was brought back quickly to finalize the implementation modalities in a three-week mission ending in early June.

The design of AMIS was not without controversy. One bone of contention was whether or not to include some indication of so-called "incompressible charges," the costs incurred in processing, marketing, transporting, and physically exporting the commodity. USAID firmly resisted the idea, although MINAGRI and MINDIC official would raise it repeatedly. A second controversy surrounded the organizational placement of the technical unit that would administer AMIS. MINAGRI made efforts to secure responsibility for AMIS, but in the end it was housed with the ONCC, the organizational successor to NPMB in the robusta and cocoa sectors. Finally, Tollens made his proposal to the APCC and to other donors on June 4. It was likely that if the GRC did not accept the plan, this would have placed the future of PRAMS I in doubt. However, the GRC accepted the proposal in all its dimensions.

AMIS was designed to be implemented in three phases. In phase one, to begin in September 1993, only the weekly New York "C" price (a world market price) and a monthly average FOB Douala price would be announced, each week. In phase two, beginning in November, AMIS would broadcast, on a weekly basis, the prices being offered by coffee buyers in each administrative division where arabica coffee was sold. This phase presumed full price liberalization. Finally, phase three, to begin in September 1994, would involve collecting information on the prices actually being paid in rural areas, and then broadcast these.

Progress on satisfying the conditions precedent to the third and fourth disbursements continued. In early June, NWCA finally occupied the former NPMB headquarters in Bamenda. However, it was still unable to obtain a title for the buildings; therefore, USAID considered the condition still not fully met. With regard to the graduated tax system, EAPRI moved to modify this condition, so that it would only require the establishment of a committee to implement such a system. At this point USAID/Cameroon remained interested in making the third and fourth disbursements, though this interest would soon begin to fade; by September, rumors began to circulate that the Mission would be closed, a possibility that was finally confirmed in mid-November.

Phase one of AMIS began on schedule with an impressive ceremony held on September 3, 1993. AMIS phase two was launched in November. With the introduction of AMIS' second phase, the principal objective of PRAMS I would be realized: full price liberalization. In this vein, MINDIC released an important press communique on December 15, announcing an end to price fixing and the beginning of fluctuating prices. The

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announcement pointed to AMIS as the key to the change, noting that AMIS' second phase would begin with the 1993/94 arabica coffee season, and calling on all "buying operators" in the sector to cooperate with the ONCC and submit their price information in timely fashion.

Surprisingly, though not particularly welcomed by the arabica cooperatives or coffee traders, AMIS proved to be very popular with GRC officials, who were generally enthusiastic and cooperative in setting it up and considered it, rightfully so, to be their own creation. The AMIS unit in the ONCC became an advocate and ally of the PRAMS I effort, a development that helped to smooth the way for the further phases of AMIS.

The broadcasting of prices would have its desired effect as well. Popular with farmers, AMIS began to give them the information they would need to make their own economic decisions, and weakening the paternalistic tutelage of government. AMIS also produced a direct commercial benefit for arabica farmers as the 1993/94 season began, since the broadcasting of price differences put considerable competitive pressure on those cooperatives with low prices. After the devaluation of the CFA franc in January 1994, NWCA's average producer price was 519 FCFA/kg, while UCCAO was offering only 400 FCFA/kg. With complete liberalization, NWCA primary societies were free to buy coffee in UCCAO areas and did. The pressure for UCCAO to raise its price was irresistible, and they did so in late March--to 475 FCFA/kg.

The news came in November 1993 that USAID/Cameroon would close by the end of 1995. This meant that the program activity completion dates (PACDs) of many projects would have to be moved forward, including PRAMS I, which was moved to June 30, 1994. The issue of the conditions precedent to the remaining dollar disbursements became moot, since it was soon clear that neither the third or fourth disbursements would ever be made. Nonetheless, PRAMS I obtained a great deal of reform in Cameroon's export crop sector. Full liberalization was achieved in the arabica coffee sector, and it proved of great benefit to farmers. AMIS gave liberalization the visibility needed to magnify its impact and, perhaps, to survive. By the spring of 1994, there were discussions of expanding an AMIS-type system into cocoa and robusta coffee. PRAMS I, threatened with disaster at several points along the path of reform, had become an example to be emulated.

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III. THE COOPERATIVE LAW REFORM

After a long and arduous process, Cameroon's new cooperative law was enacted on August 14, 1992, with an implementing decree coming three months later. The groundswell of demands for reform in the cooperative sector originated from a National Cooperative Seminar in 1988. However, it took donor pressure and involvement over the next four years to bring the new law to fruition. USAID/Cameroon was intensively involved in this process from early 1990.

A. Changing the Law

1. Early Movement for Change

There were demands for change and liberalization in the cooperative sector for some time, particularly among cooperatives in the Anglophone areas, which had had a much more liberal law in force in their section of the country until the promulgation of an interventionist cooperative law of 1973.

The National Cooperative Seminar of July 1988

A major National Seminar on Cooperatives had been planned and rescheduled for almost a year before it finally took place July 11-15, 1988. Organized by the Ministry of Agriculture, it received financial and technical support from a number of donors, principally the UNDP and ILO but also USAID, the World Bank, GTZ, EDF, CCCE and FAC.[86] The conference took place in part because the government was aware of organizations' stagnation and lack of member enthusiasm for their cooperatives. The disaffection within cooperatives was due to what was viewed as excessive government interference in cooperative affairs by the Ministry of Agriculture's Department of Cooperation and Mutuality (Coop/Mut) and the increasing problems cooperatives were having with the government marketing board (NPMB) for their produce. Donor interest was also a critical factor leading to a conference. The ILO, EEC, World Bank, and other donors had been involved with projects in the cooperative sector, and they knew very well its problems. The Seminar involved over 200 people from all across the country and proved an opportunity for many participants to vent their anger and make demands for reform. Some observers thought that if the government had known the extent to which disaffection would come out at the meeting, it would never have allowed the Seminar to take place.

[86] Undated mimeo, USAID, p.1.

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The Seminar generated a formal, 11-page set of recommendations that was very ambitious in scope. It was proposed that cooperatives be substantially liberated from any government interference, that government staff concerned with cooperatives reduced and decentralized, and that the NPMB be reduced to a basic stabilization function. The Seminar also recommended strongly that the existing cooperative law should be revised "fundamentally and rapidly," so that a new and more liberal set of rules could be written and adopted.

Cooperative Sector Activities after the Seminar

After the cooperative seminar, "there was agreement among the major donors not to initiate new activities in cooperative development until there had been major reform in GRC cooperative policy, including a major overhaul of existing cooperative legislation."[87] This pledge was largely maintained, and donors soon became directly involved in pushing for legal reform.

In May 1989, Cameroon signed a Structural Adjustment Loan (SAL) agreement with the World Bank. SAL-I featured dozens of specific recommendations in its "Action Matrix," including two that dealt specifically with cooperatives:

- "Revision of legislation on cooperatives to liberalize their operation," and
- "Redefinition of roles regarding Coop/Mut and CENADEC."

The deadlines or calendar dates for both measures was September 1989.

Although neither recommendation was a tranche-release condition, their presence in the Action Matrix with a deadline attached meant that progress in the area would be monitored by the World Bank. This was a significant move on one major donor's part to make sure that some kind of cooperative reform materialized.[88] Indeed, according to the PRAMS I PAAD (p.50), "it was only with the inclusion of an action item in the SAL related to a new cooperative law that the GRC began to focus its attention on reform of cooperative policy."

The other factor that kept World Bank attention focused on cooperatives was the Bank's Cocoa Rehabilitation Project, often called "the SODECAO project" because it dealt with restructuring the GRC's major cocoa parastatal, SODECAO. This project had a major

[87] PRAMS PAAD, pp.49-50. Though a strict moratorium is not mentioned, this position is clear in a joint statement of donors in October 1988, following a meeting held under UNDP auspices to assess the follow-up to the Seminar.

[88] According to one World Bank staffer involved, having the two provisions on cooperative sector reform in the SAL was unusual and very important; it gave cooperatives a high degree of prominence, when they might have had very little. Telephone interview, World Bank official, 12/10/92.

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component involving the promotion of cocoa cooperatives, and it helped keep the World Bank in touch with what was happening in the cooperative sector. According to one World Bank officer involved, the SODECAO project provided a stronger incentive for the Bank to follow through with reform of the law. Otherwise, it might have gotten lost along the way in the implementation of the SAL.[89]

More direct efforts to steer the drafting of the new law came from a new UNDP/ILO project to provide help in drafting a new law. This project, planned at the time of the National Seminar, was featured in the latter's recommendations. A project agreement between the GRC and UNDP/ILO for a "Cooperative Promotion Project" was signed in September 1989, though it would be many months before personnel were in place to begin work.

Work on a Law

In 1989, the reforms were still largely in the hands of the GRC. The GRC did not move quickly to produce a liberal law on its own. The Presidency charged MINAGRI with responsibility for rewriting the cooperative law, and Coop/Mut was assigned the task of actually drafting the new law. In spite of pressure from many donors (GTZ, WB, CCCE, USAID), "the process has moved slowly because of resistance by persons associated with Coop/Mut and the GRC who are reluctant to surrender their authority over cooperatives" (Gellar, Oakerson and Wynne 1990: 34). Coop/Mut did produce a draft of major amendments to the existing 1973 law in the latter half of 1989. However, these amendments were rejected by the Presidency in November.

Donor help to write the law was not forthcoming in 1989. Although the UNDP/ILO project was supposed to have begun in June of that year, it was not even signed until September and ultimately would not begin until mid-1990. Donors, including USAID, began to play a major part in the re-writing of Cameroon's cooperative law.

2. *Involvement of USAID/Cameroon*

USAID/Cameroon had long been involved with cooperatives in Cameroon, via its project to assist the Cameroon Cooperative Credit Union League (CAMCCUL), and had helped make credit unions the only thriving component of the cooperative sector. As events unfolded in the reformulation of the cooperative law, USAID intensified its participation. In April 1989 the Mission sent its comments to MINAGRI and Coop/Mut concerning the amendments to the 1973 cooperative law drafted by Coop/Mut. Later in the year, USAID was also asked to help with the restructuring of Coop/Mut then underway--also in response to the National Seminar--and considered undertaking a major effort to aid Coop/Mut's new Monitoring Division (called the "*Brigade de Controle*").

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[89] Telephone interview, December 14, 1992.

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By early 1990 a critical juncture had been reached. The Coop/Mut amendments had been rejected, the SAL-I deadlines had past, but the UNDP/ILO project to help Cameroon actually write the law had not yet taken off.[90] It was at this point, in January 1990, that Minister of Agriculture John Niba Ngu asked USAID/Cameroon for assistance with drafting the law.[91] USAID ultimately agreed to provide a consultant, though it took some time to reach a decision and then further time to identify the consultant. In its search for a consultant, USAID received a strong recommendation from the World Bank of a German cooperative law expert, Hans Munkner. Munkner was eventually hired by USAID but was not available until August 1990.

At this point, donors were still uncertain about the best course of action. The World Bank had formally extended the deadlines for the recommended actions on cooperatives to June 1990, allowing time for the June session of the National Assembly.[92] But there was still uncertainty as to whether a completely new law needed to be written and how long such a task would take. For example, at a major donor meeting on the topic held March 19, 1990, the World Bank, USAID and GTZ all had different positions. USAID's position was that a new and very liberal law would take time both to write adequately and for the GRC to accept. In the end the donor decided to draw up an action plan that would include drafting a law and restructuring Coop/Mut.

The Policy Statement on Cooperatives

The next event that pushed the process forward was the arrival of a World Bank SAL supervisory mission in March of 1990, followed by a mission on cooperatives that included Lorenz Pohlmeier, a World Bank cooperative expert. Cooperatives, Coop/Mut, and the status of the cooperative law received considerable attention in the course of these visits. The Bank was very concerned about the failure to make progress on its cooperative recommendations. As the drafting of a new and liberal cooperative law continued to drag, the Bank team asked that an interim document or "letter of intent" issued by the government. Minister of Agriculture Ngu agreed to this as a measure to satisfy donors and particularly the World Bank, now increasingly frustrated with the pace of reform. It was now evident that no new draft cooperative law would be ready in time for the June session of the National Assembly and would have to wait until the session in November.

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[90] The UNDP/ILO project was delayed in part because the GRC had at first rejected the expatriate Chief Technical Adviser first proposed for the project. By the time the CTA was approved, he was no longer available, and a replacement had to be found.

[91] USAID/Cameroon internal memorandum, February 20, 1990.

[92] Minutes of GRC/Donor meeting, March 19, 1990.

An initial draft of the letter of intent was produced by a working group on the cooperative law that had already been formed. The group included two expatriate consultants working with the German aid organization, GTZ, on a cooperative project connected with the Bank's stillborn SODECAO project, which was then being renegotiated. GRC representatives were drawn from MINAGRI's Division of Studies and Projects and from Coop/Mut. However, the first draft was apparently found wanting by the Bank and other donors because a different draft, one prepared jointly by Bank staff and the French *Caisse Centrale de Cooperation Economique* (CCCE), became the basis for discussions in meetings held at the World Bank offices in Yaounde.

USAID was involved in the discussions of this draft "Policy Statement" in June and July of 1990 and in the production of a final text. USAID staff (Robert Shoemaker and S. Tjip Walker) attended these meetings. Every major donor was represented, and extensive discussions over the language and content of the document took place. The CCCE representatives in particular wanted the document to give due attention to less complicated pre-cooperative organizations called "groupements économiques" and were very keen on incorporating the "groupements" language. One participant stated that the French were interested in the clauses on "groupements" because they knew that many existing cooperatives were going to fail, and they wanted to have protection and autonomy for more basic local units that they thought should take their place. This effort succeeded, which is why the final title, in English, reads "Policy Statement on Cooperative and Other Economic Groups."

The draft policy statement that the donors presented to the government was first and foremost a statement of the government's intention to liberalize cooperatives. The government was committed to drafting a new law in which it withdrew from involvement in cooperative affairs and immediately gave cooperatives new freedoms in their commercial activities. Pre-cooperative economic groups would also henceforth be allowed to form. The GRC was committed to important institutional changes. This comprised the dissolution of CENADEC, a government agency for cooperative promotion that worked parallel to Coop/Mut, and a major restructuring of Coop/Mut, whose role would be reduced to that of a registration service for cooperatives and enforcement of the new law.

GRC participation throughout the preparation of the Policy Statement was minimal, and the meetings at the World Bank did not include any GRC staff. Basically, the draft that the donors handed to the GRC had to be issued verbatim, since the donors gave the government little choice; if they wanted further aid, cooperative reform had to occur. Progress in liberalizing cooperatives had become important to several donors' projects. The GTZ-SODECAO project was to help reassign cocoa marketing and development tasks away from SODECAO and pass them to new farmers' groups that the project would promote. USAID's Credit Union project and PRAMS I also depended on a much more liberal regulatory environment for cooperatives. The UNDP/ILO promotion project was assigned to rewrite the law.

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The government's release of the Policy Statement was subsequently made a condition precedent to the second dollar disbursement in PRAMS I.[93] It was also a precondition to successful conclusion of renegotiations of the Bank's SODECAO project. Even with all these pressures, however, the Policy Statement would not be released until January 28, 1991, several months later.[94]

Working Organizations Established

The Policy Statement also required the GRC to set up a formal Working Group under the chairmanship of the head of MINAGRI's Department of Agricultural Projects (DPA) to prepare the new law. In addition, at about the same time, in June and July of 1990, a joint donor/GRC Coordinating Committee was set up, allowing a number of donors to play an influential role in the process.

In addition to MINAGRI's cooperative specialists, the Working Group included two technicians from the UNDP/ILO project and two technicians (Peter Schroeder and Bernd Opitz) from a GTZ project designed to assist cooperative development in Cameroon. USAID/Cameroon staff would attend some Working Group sessions as active observers.[95] The joint donor/GRC Coordinating Committee was chaired by Colbert Tchatat, head of MINAGRI's Department of Agricultural Projects. The person who most often chaired the Working Group meetings was the Chargé d'Etudes in DPA, Dr. A. Wawa Ngenge.

With these steps, the nascent group found by MINAGRI, Coop/Mut, and GTZ, which had drafted the Policy Statement, was made official, strengthened by the addition of the Chief Technical Adviser of the ILO Cooperative Promotion Project, Jean-Baptiste Iralour, who arrived in June 1990.

Work Towards an Acceptable First Draft Law

The next major step in the reform path was the arrival of the German legal consultant on cooperative law, Hans Munkner, on August 16, 1990. His visit was sponsored both by USAID and the World Bank. His appearance on the scene was somewhat of a catalytic event.

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[93] The passing of a new cooperative law was a condition precedent to the fourth dollar disbursement under PRAMS I.

[94] It was issued by the Ministry of Agriculture on behalf of the government and signed by John Niba Ngu, then the Minister of Agriculture.

[95] Undated mimeo, USAID, p.1.

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Munkner suggested that the law be written with considerable participation by Cameroonians active in the sector.[96] The GRC rejected this notion, and it instead decided that the consultant would work on a draft and then submit it for review to a Technical Unit composed of donor personnel (ILO, GTZ, USAID, FAC) and GRC staff from MINAGRI, Coop/Mut, and CENADEC. This Technical Unit was set up at the time of Munkner's arrival in country, worked with him during his visit of August 16-September 15, and thereafter in frequent meetings over the next months. It effectively superseded the earlier Working Group.

At this point the target date for Munkner to submit a complete first draft to the Working Group was November 15. The plan was for the Working Group and the Coordinating Committee to finalize this draft and prepare it for submission to the National Assembly on April 15, 1991, for prospective passage by June.[97]

Munkner returned to Germany, drew up a full draft law, and submitted it to USAID/Cameroon on schedule in mid-November. The law was then carefully reviewed by USAID staff, the GTZ consultants, and CAMCCUL before it was released to the government and the Technical Unit (TU). Munkner was asked to make changes even before submission to the TU. Reactions to the first draft were not very favorable. The most frequent criticism was that the draft failed to remove the paternalistic arm of government from the cooperative sector. It continued to give government, termed the "Supervisory Authority" in the law, a promotion role and a major part in ensuring the auditing of cooperative accounts, thereby assigning the government a technical service role that would require a large staff. CAMCCUL found that the law took insufficient notice of the important differences between credit unions and other cooperatives.[98] The draft also appeared to distinguish too many different kinds of organizations: producer groups, pre-cooperative groups, temporarily registered cooperatives, in addition to cooperatives.[99]

The next step was for the Technical Unit to rework the Munkner draft law into an acceptable form during the month of January in time for the April 1991 session of the National Assembly.[100]

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[96] USAID/Cameroon internal document, February 4, 1991.

[97] World Bank internal memorandum, October 11, 1990.

[98] Memo to USAID/Cameroon, December 5, 1990.

[99] "Comments on Munkner Draft Law" by UNDP/ILO Project, GTZ Project, dated January 9, 1991.

[100] At this point it was also necessary to get a further extension of the World Bank SAL matrix deadline for revision of cooperative legislation, to reflect the new target date of April, 1991. Interview by S. Tjip Walker, December 4, 1991.

A Second National Cooperative Seminar

It was also decided in January to organize a national review of the draft law before sending it to the National Assembly. A substantial part of the next four months of **Working Group** activities was spent preparing plans, briefing documents, and a survey for a 10-province tour to obtain reactions to the draft law from the field. USAID was asked to contribute much of the financing for this, which gave it a good deal of influence over the plans for the tour.

In the end, security concerns forced the cancellation of the national tour. The beginning of violent protests against the Biya government in early 1991, blossoming into nationwide strikes and "Ghost Towns" throughout most of 1991, made travel in the country dangerous. This factor led Minister of Agriculture Ngu in early May to decide against a national tour for the law. The donors and the **Working Group** decided instead to have a national "Seminar on the New Cooperative Law" in Yaounde, with invitees coming from all over the country. Time constraints meant that this would have to be held by September in order to allow time to make changes to the law after the Seminar and then submit it to the Presidency for review in time for the November 1991 session of the National Assembly. The planning of the seminar and its logistics, including the printing of working documents and arrangement food lodging and per diems, fell largely to USAID.

One of the important issues in the planning of the September Seminar was whether or not to invite Coop/Mut. Coop/Mut continued to operate and attended meetings on the revision of the cooperative law. However, in compliance with a stipulation in the "Policy Statement" the GRC had finally released on January 28, 1991, Coop/Mut had recently been subject to an intensive review by a visiting team of World Bank consultants. The team arrived in mid-March for three weeks, and their final recommendation was that Coop/Mut be completely eliminated, replaced by a simple Registration Service with a small central and 10 provincial offices. This Service would simply register the cooperatives and keep basic statistics on the sector.[101] These findings accorded nicely with the intentions of USAID/Cameroon. The latter had helped finance the Bank Coop/Mut mission, worked closely with the team during their three weeks in Cameroon, and was very pleased with their recommendations.[102] The recommendations were accepted and became part of the drafts of the cooperative law from that point on. Although this meant that Coop/Mut would soon cease to exist as an organization, it nonetheless continued to send representatives to meetings, where

[101] *Note de Synthese: Mission de la Banque Mondiale sur la Reorganisation du Coop-Mut*, April 12, 1991, p.3.

[102] Interview, former USAID/Cameroon official, February 10, 1993.

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its main concerns were not always in concert with those of others, now bent on the full liberalization of cooperatives.[103]

The September 1991 Seminar and Drafts

In the end, Coop/Mut was allowed to attend the Seminar. Munkner helped with preparation for and attended the Seminar. The New Cooperative Law Seminar was held the week of September 9-13, 1991, and approximately 90 people attended. Among them were officials and members from all the major cooperatives in the country (NWCA, UCCAO, UCAC, UCAL, SOWEFCU, COOPAGRO), as well as a number of government officials, academics, and donor representatives. The participants divided into three commissions to discuss various aspects of the law, then came together at the end to discuss findings and recommendations.

The USAID/Cameroon representative to the Seminar, Robert Shoemaker, was apprehensive that there would be a lot of criticism of the liberality of the draft law,[104] and indeed Coop/Mut sought with considerable energy to maintain some functions for itself in the new legal regime to come.[105] In the end, however, the Seminar improved the law in important ways.

One of the major concerns expressed at the conference was that the law submitted to the government be as clearly and plainly written as possible--that it be a law for farmers and not for lawyers. It was also preferred that the law be as comprehensive as possible and group all relevant statutes together. The understanding of Cameroonian law is often complicated by the fact that previous laws on a particular subject matter remain in force, and that there is always a decree of application that may contain a great deal of the new rules sanctioned by legislation. Seminar participants also emphasized the importance of eliminating the discretionary powers of provincial and local government officials, especially governors and prefects, over cooperatives. A 1978 decree (no.78/485) that gave governors blanket powers over cooperative accounts and assets was brought to the attention of the drafters of the new cooperative law at the Seminar. Cooperative officials present at the Seminar reported episodes of cooperative vehicles being commandeered for government-party election campaigns.

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[103] One World Bank staffer noted that it was awkward to be at the same meetings with Coop/Mut since the latter knew full well that the Bank had recommended COOP/MUT's dissolution. Telephone interview with former World Bank/Cameroon official, December 10, 1992.

[104] Interview, October 17, 1992.

[105] Interview, Seminar participant, July 26, 1993.

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The Seminar also raised issues of taxation and tax liability for cooperatives and the issue of auditing cooperative accounts. Coop/Mut staff at the Seminar sought to retain the audit function for themselves, but this idea was rejected since past corruption in these matters was well-known.[106]

With the Seminar over, work moved quickly forward. After the changes suggested by the September Seminar were incorporated into the working draft, the process of submission to the National Assembly began. MINAGRI was to be the sponsor of the new law as it passed through the GRC. However, MINAGRI found the law wanting--their complaints centered around formatting and style mainly--and asked for revisions. A small team then worked to revise the law to the satisfaction of MINAGRI, composed of Dr. Godfred Penn (one of the resource persons hired by USAID for the September Seminar), Dr. Claire Okani (lawyer, professor of law at University of Yaounde), Jean-Baptiste Iralour of the ILO Cooperative Promotion Project, and a member of the **Working Group.**[107] The team was coordinated by Dr. Ngenge of DPA. This team prepared the final MINAGRI version, what would be called in later documents the "MINAGRI Draft." This draft was submitted to the Prime Minister's office in late October 1991.

Submission to Government and Problems

The MINAGRI Draft soon ran into difficulties in the Prime Minister's (PM) Office. After review, the text of the draft law was judged by staff of the Department of Legislative and Regulatory Affairs in the PM's Office not to conform to the Cameroon Constitution. Specifically, they found that it was too detailed for a law, suggesting that much of the detail in the law should rather be in a decree of application to follow. For the same reasons, the law was also found to not follow standard drafting practice.[108]

The MINAGRI Draft was never submitted to the National Assembly. Instead, the Prime Minister's Office produced their own draft of the law, along with an accompanying decree of application.

[106] Interview, Seminar participant, July 26, 1993.

[107] The services of Penn and Okani were paid for by USAID/Cameroon.

[108] Some persons on the donor side of this struggle over the law suggest that PM's Office staff felt that they should have written a bill, were upset that someone else had done it, and thus tried to cause trouble for the MINAGRI Draft.

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The donors worked hard to save their draft law from the prejudices of the Prime Minister's Office. USAID sent an official cable to Prime Minister Hayatou on November 29, expressing consternation at the turn of events. In spite of these efforts, the National Assembly adjourned on December 5 without having considered the MINAGRI Draft.[109]

3. *The Final Push for the New Law*

With the National Assembly session over, the donors' next steps were to find out what had gone wrong with the MINAGRI Draft, obtain copies of the new PM Office version, and prepare for the next National Assembly legislative session. USAID obtained copies of the revised version of the law and decree in late December. Godfred Penn was hired again by USAID to analyze the PM Office's arguments as to why the MINAGRI Draft was rejected.[110] He found that the arguments of the Prime Minister's Office were baseless and speculated therefore that other reasons must lie behind the draft's jettisoning. His findings were presented to a full donor meeting on December 23, 1991.

The donors presented a united, and outraged, position to the GRC. As a result of meetings on December 23 and 30, 1991, the donors sent a letter to the Prime Minister on January 3, through the UN Resident Representative Herbert M'cleod. However, there were concerns that the donors not be too forceful or risk treading on the sovereignty of the GRC. The letter in response, written by the Secretary General (Joel Moulen) at the Prime Minister's Office, sidestepped the issue and merely assured the donors that the reform of the cooperative sector remained a high priority of the government.[111]

USAID was acting on its own part as well, and it in many ways took the lead among donors at this stage. Munkner was contacted again in Germany to determine if he would be available to provide his legal services in January to analyze the PM Office version of the law, compare it with the MINAGRI Draft, and make recommendations, either to accept one or the other or to draft a third version. USAID sent Penn to Germany for two weeks (February 4-18) to work with Munkner on these issues. Their comparative analysis of the MINAGRI Draft and the Prime Minister's version revealed the latter to be seriously inadequate in many aspects, restoring many of the powers of Coop/Mut and giving wide powers of decree to a supervisory ministry in charge of the cooperative sector.[112]

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[109] Legal Memorandum to the Director, USAID/Cameroon, by Godfred Penn. Dated December 20, 1991.

[110] See his "Legal Memorandum to the Director, USAID/Cameroon," dated December 20, 1991.

[111] Letter to the UNDP representative, dated February 3, 1992.

[112] See their study *Revision of Co-operative Legislation in Cameroon*, prepared for USAID/Cameroon, February 1992.

By this point, in February 1992, the donors had decided to give up on the MINAGRI Draft and submit a new law to the government for the next National Assembly session. A final push to get a draft law ready for submission began at the end of February. Penn and Munkner also produced a new draft law while together in Germany. This was discussed at a joint donor meeting on March 12 and was adopted, with some amendments, as a draft the donors could fully support.[113] Time was short because a letter from the Prime Minister's Office had requested that a draft be submitted from MINAGRI by April 15. Over the next weeks, a last Working Group--formed March 26 and composed of Iralour, Barret (FAC), Penn, Nguena (ILO), and Schroeder (GTZ) under the supervision of DPA's Ngenge--worked to reconcile all drafts of the law and submit a final version to the Prime Minister's office. The group adopted two important strategies.[114] First it began working with the Prime Minister's Office early on in the finalization process, on March 31. Second, the group decided to present both a draft law and decree with all procedural matters to be placed in the decree. Working in this way, the draft was readied and was submitted April 14.

The final donor-MINAGRI Draft of the law was submitted to the Prime Minister's Office on April 14. Two weeks later there was a major meeting between the GRC and the donors at which many final issues were settled. This was a meeting only for high-level actors, and many of the consultants hitherto involved were not allowed to take part.[115] Remaining issues were dealt with over the following weeks. For example, when the law went to the President's Office, there was an objection made about an excessive amount of banking power given to Credit Unions. These differences had to be hammered out in a meeting, which included the Ministry of Finance and BEAC.

Finally the draft legislation was enacted by the National Assembly on August 14, 1992. The implementing decree came out a few months later, on November 23, 1992.

B. A Summary of the New Law and Decree

The new cooperative law appeared as Law No. 92/006 of August 14, 1992, and its subsequent implementing decree was Decree No. 92/455 of November 23, 1992. Overall, the new law is a very liberal one, particularly when compared with the previous law and decree of 1973. The new legal regime presents guidelines for the formation and operation of two types of bodies: (1) cooperatives and (2) a newer, simpler organization, the "common initiative group" (CIG). The notion of a CIG had been present in discussions about the new

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[113] Letter from USAID/Cameroon to Munkner, March 18, 1992.

[114] Memorandum to Thomas Crawford, PMPD USAID/Cameroon, from Godfred Penn, Legal Consultant. Dated April 24, 1992.

[115] Field Notes, discussion with Godfred Penn, July 16, 1993.

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legislation since mid-1990, when a donor-written document, later released as the Policy Statement of January 28, 1991, mentioned "other economic groups."

The extensive provisions for government supervision of and intervention in cooperative affairs that were present in the 1973 law are completely missing in this new law. The GRC now has no power to appoint or dismiss any official of any cooperative, union of cooperatives, or common initiative group. Instead, the law makes clear that GRC involvement in cooperative affairs is limited to a "registration service" that collects and evaluates applications for registration from cooperatives and CIGs, keeps records of registrations and basic documents, and reports annually to the government on cooperative organization and activity.

Instead of relying on Coop/Mut to monitor cooperatives, the new law internalizes monitoring within each cooperative, requiring every cooperative to form an independent "supervisory committee" with the complete right of access to all cooperative documents and accounts and the power, at any time, to make special investigations into irregularities it may detect. Cooperative board members and supervisory committee members are freely elected by the general membership. Members also have the right to call for special investigations, as well as unscheduled, "extraordinary" general meetings.

Detailed regulations apply to the registration of cooperatives. Rules of operation for CIGs are less extensive, though there are some areas where the extent to which cooperative rules apply to CIGs is unclear. All cooperatives must follow specific guidelines in their initial application for registration. Their articles of association must address a number of specific issues, as must their general meetings. There are also detailed reporting requirements. All annual progress reports, balance sheets, auditors' reports, and resolutions adopted at meetings must be forwarded to the regional registration service within two months of annual meetings (Law, Section 58). All changes in articles of association must also be reported (Section 62). CIGs must comply with similar regulations on reporting (Section 59). Detailed rules also apply to splitting, merging, and dissolution of cooperatives and CIGs.

For cooperatives, the new law requires one "ordinary general meeting" per year. the Board of Directors must produce an annual progress report and procure an external audit of accounts annually. Members and supervisory committees have the right to call "extraordinary meetings." Members may also demand--through their power to amend organizational by-laws--additional general meetings or other methods of ensuring scrutiny and accountability. The law specifies that cooperative board members and members of supervisory committees are to be elected for three-year terms. The voting method for electing officers or for making resolutions at general meetings is not specified.

The new law makes significant distinctions between cooperatives and CIGs in terms of the operating rules each must abide by. Broadly, regulations governing CIG internal affairs and activities are much less strict than those for cooperatives. CIGs, for example, must keep only simplified accounts, which are to be assessed at intervals not to exceed two years (Law,

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Section 52). There are no specifications as to who should do this assessment or how it is to be done, whereas the regulations for cooperatives are very explicit (Decree, Article 25). There is also no internal monitoring requirement for CIGs, and they are not required to have a supervisory committee or its functional equivalent. The law does not require that groups of a certain size or that engage in a particular activity must register as cooperatives. Both cooperatives and CIGs are considered generally as bodies of people with common interests working as a group. The choice between the two forms of organization is left to the organizing group.

In broad terms, the law is seemingly poised to bring a new era of freedom for Cameroonians to organize their joint economic activities on an autonomous basis.

C. Implementation of the Law

The mere passage of Cameroon's new cooperative law and implementing decree in the latter half of 1992 should not lead to the assumption that the work in reforming the sector was complete. Indeed, far from it. The state of Cameroon's national political and informational system required a concerted campaign to publicize and disseminate the law. Fortunately, this need had been foreseen in the plans of the donors and GRC staff since 1990 and before. One can also see evidence of the fiscal crisis of the Cameroonian government. Almost all activities involved in the dissemination were financed by donors and were even carried out by persons not connected to the GRC (consultants, donor staff).

1. Renewed Concern for "Actions d'Accompagnement"

With the law on its way to passage, the donors returned to their plans for actions to accompany the promulgation of the new law. Dissemination had been a topic of discussion in meetings for some time, but it was only at this point that full attention turned to it. At meetings of a "Groupe Technique" on the Action Plan (including Schroeder, Iralour, Cavana of FAC/DPA, Nguena of UNDP/ILO) in April and May of 1992 the tasks of the coming dissemination campaign were laid out and elaborated. At a meeting on April 27 it was decided that there would be four principal actions for the transitional phase to focus on:

- dissemination of the new law;
- technical assistance;
- professional training of cooperative leaders and personnel; and
- the structuring of the Registration Service.

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As these tasks were divided up, USAID adopted the dissemination portion. Other donors took on segments of other tasks, with the French (CCCE), for example, becoming involved with an important scheme to support a fund for cooperative financing.

The transition work of dissemination and the establishment of the new Registration Service was principally the responsibility of a new body set up under ILO/UNDP auspices: the Central Unit for Rural Organization Reform (CUROR). Many of the staff members of the new Unit (Director Dr. Alex Soho, staffers Nguena and Jerry Tita) had been working in the ILO Cooperative Promotion Project directed by Jean-Baptiste Iralour, whose contract had now finished. The first six months of operations by CUROR (July-December 1992) were financed by the World Bank. Further funding for its activities to date would come primaily from UNDP.

The next step was to hold a training seminar for 25 potential provincial registrars and their deputies. After many delays because of problems with funding (financing was to come from FAC, but there were problems with the formal application), the Seminar was held on May 17-19, 1993. Although the Registration Service was created on paper in March, the 10 provincial registrars were not named until mid-July. And it would be a few months before all of them were at their posts.

These delays were significant because of a critical deadline placed in the new law. Licensed cooperatives existing at the time of passage had 18 months to re-register under the new law. This gave them a deadline of February 14, after which they would no longer have legal status, meaning they could not engage in legal, financial, or other transactions with banks, suppliers, or their members.

2. *USAID Support for Dissemination*

USAID's portion of the action plan was dissemination. USAID planned to help with dissemination through a grant of $174,000 and the use of an American consultant to assist with preparations for a 10-province dissemination campaign. The campaign would be delayed by USAID's stipulation that the 1978 law giving provincial-level officials wide powers over cooperatives--a problem first identified at the September 1991 Seminar (see above)--be repealed. This problem was finally surmounted, and the consultant arrived in mid-July.

The next step was dissemination of the cooperative law in all 10 provinces. For this to happen, it was necessary to develop training documents and conduct a workshop to train those who would be leading the dissemination seminars. The USAID consultant worked with CUROR on all aspects of this effort throughout July and August, and a preliminary seminar was held at the end of July. With training documents finalized, the national dissemination effort proceeded throughout the month of September.

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It was at about this time, in September of 1993, that the new provincial registrars finally took up their posts. Throughout the country, however, there were problems with a lack of supplies for the new registrars.

There had been a long-standing fear that those nominated as registrars would be former Coop/Mut officials, and indeed this has happened. Although eight of the ten registrars are former Coop/Mut people, this does not appear to have posed a great problem in terms of the functioning of their offices. While it was not the intention at the outset to hire former Coop/Mut employees, in the end it proved difficult to find qualified candidates who were not connected to Coop/Mut. This was, after all, the government service that took care of the entire cooperative sector, and many of its staff had extensive training in Cameroon and abroad. Part of the reason for selecting Coop/Mut people was also logistical. Because the GRC could not afford to move people from one part of the country to another, there was a strong incentive to hire people already in place, as well as knowledgeable about cooperatives.

There have been some complaints about the performance of these ten, but many of these appear to be misunderstandings. In Central Province one case of suspected obstructionism by the provincial registrar was brought to the attention of the French CFD. The matter turned out to be a situation in which an organization of farmers' groups had done several things incorrectly in their dossiers, but they had decided to complain to the CFD, from whom they received support, instead of simply correcting the paperwork. On the other hand, if the stories about the registrar in the North West Province are true--that his staff often do their work only upon the payment of bribes, for example--then some registrars are flouting the law and hindering reform.

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