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)

RESTRUCTURING NWCA: A Case Study of the Cooperative Restructuring Component of PRAMS I in the North West Province

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.

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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 Marketing Information System
APCC	Arabica Policy Coordinating Committee
ARD	Associates in Rural Development, Inc.
BBA	Block Buying Allowance
CDC	Commonwealth Development Corporation
CFRF	Crop Finance Revolving Fund
Coop/Mut	Direction of Cooperation and Mutuality
DFM	Decentralization: Finance and Management Project
EAPRI	Office of Economic Analysis and Policy Reform Implementation
GM	General Manager
GRC	Government of the Republic of Cameroon
IAD	Institutional Analysis and Design
ISTI	Institute of Science and Technology
JVC	Joint Venture Company
LBA	Licensed Buying Agent
NPMB	National Produce Marketing Board
MIDENO	*Mission de Développement de la Province du Nord-Ouest*
MINDIC	Ministry of Industrial Development and Commerce
MOU	Memorandum of Understanding
NIMA	New Internal Marketing Arrangement
NW	North West
NWCA	North West Cooperative Association
PAAD	Program Assistance Approval Document

PCV/CTA	Peace Corps Volunteer/Cooperative Technical Advisor
PIA	Program Implementation Agreement
PRAMS I	Program of Reform of the Agricultural Marketing System, Phase I

EXECUTIVE SUMMARY

This report traces the design and implementation of institutional reforms in the North West Cooperative Association, reforms sponsored by the Program for Reform of the Agricultural Marketing Sector, Phase I (PRAMS I), a policy-reform program in the arabica coffee sector funded by USAID/Cameroon and implemented in conjunction with the Government of Cameroon. The cooperative restructuring component of PRAMS I sought to enable the NWCA, a cooperative federation that embraced 11 area cooperative unions, 40 (now 73) marketing societies, and some 35,000 coffee producers to export coffee and compete effectively in a newly liberalized, free-market environment. The creation of this new environment, which was the focus of attention in the policy reform component of PRAMS I, displaced a marketing regime dominated by monopoly power, government price decrees, detailed regulation of cooperatives, and parastatal control of export.

The restructuring of NWCA was based on an institutional design intended to introduce market-like arrangements within the cooperative structure. The quasi-market design had several key features: (1) the determination of producer prices separately by each cooperative marketing society--at the base of the cooperative structure; (2) the production of processing and marketing services at cost by union and NWCA levels of the structure; (3) society-level ownership of the surplus from the sale of coffee on the world market; (4) the freedom for farmers to exit from societies and for societies to exit from unions; and (5) the organization of each marketing campaign according to a set of protocols--internal marketing arrangements--negotiated at union and NWCA levels. The purpose of the design was to create strong incentives for cost reduction and control and at the same time enable the cooperative structure to improve and control quality--a key consideration in the marketing of arabica coffee.

The restructuring project consisted largely of a technical assistance package supplied to NWCA under the auspices of USAID/Cameroon. The assistance was contingent on NWCA's implementation of reforms that were specified in a Memorandum of Understanding signed with USAID in 1991, although USAID's assistance began with the 1990-91 marketing season. Initially, assistance was delivered through short-term consultants under contract to USAID. In 1992, a three-person technical assistance team took up residence in the North West Province for a two-year period. The technical assistance package included advice and training with respect to management, accounting, coffee processing, and export marketing, as well as institutional reform. The project also made provision for investment in new capital, including parts and equipment for coffee mills, vehicles, computers, radio communications equipment, and new hand pulpers used to process arabica coffee on the farm.

Year One of the four-year project got underway in September 1990. Short-term consultants visited the North West Province in the fall to help with preparations for the 1990-91 marketing campaign, which began in December. The initial focus of technical assistance was on the improvement of coffee quality and the rehabilitation of the 12 coffee mills operated by the cooperative unions, as USAID concentrated its attention on project planning and drafting the Memorandum of Understanding. Technical assistance related to financial management and accounting was also begun, but it did not make much progress. The quasi-market design was introduced in the form of internal marketing arrangements outlined in a set of protocols related to various aspects of the marketing campaign, which were signed between each society and the union and between each union and the NWCA. However, key aspects of the design, were not implemented for various reasons. The calculation of separate internal costs for each cooperative organization has to await more intensive study of costs. Society-level producer pricing could not be implemented because the arabica sector was still operating with government-published price decrees. PRAMS I created a 267 million FCFA Crop Finance Revolving

Fund to finance the purchase of coffee, and policy reform had proceeded far enough that the government granted NWCA an export license permitting it to market its entire arabica crop to world buyers. Despite shortcomings, the project was off and running.

As the 1991-92 season approached, however, the shortcomings would come more to the fore. In Year Two of the project USAID would become increasingly concerned that NWCA was not moving fast enough to cut costs and prepare itself to face competition from private traders as market liberalization progressed. USAID's demands for immediate cost reductions were met with resistance. Moreover, NWCA experienced difficulty in replenishing the Crop Finance Revolving Fund used during 1990-91 to buy coffee. Without full replenishment, the fund was unavailable to finance coffee purchases when the 1991-92 season opened. Short-term technical assistance continued, with a stronger focus on financial management and export marketing. The rehabilitation of mills was underway. A proposal by a marketing consultant, one accepted by USAID, that NWCA market its coffee exclusively through brokers, rather than dealing directly with traders, caused considerable tension with NWCA's top management. Similarly, a USAID demand that the NWCA Board of Directors abandon the practice of paying the board members "sitting fees" also provoked controversy. Midway in the season, new personnel appeared on the scene: the resident technical assistance arrived and began work and five Peace Corps volunteers were posted in various locations around the province, mainly to deliver technical assistance at the society level. With the 1991-92 season fast disappearing behind them, the technical assistance team would focus principally on preparations for the following season.

For this purpose, the team brought in a stream of short-term consultants, mainly focused on finance and accounting issues. The team also pushed NWCA to commit itself to full implementation of the reform program in the 1992-93 season. The result was deadlock. NWCA dug in its heals and refused to proceed with the reforms as planned, while the technical assistance team insisted on immediate and full compliance with the program outlined in the Memorandum of Understanding. The controversy came to a climax with the preparation of a Program Implementation Agreement for Year Three of the project. NWCA refused, in particular, to implement the society-level producer pricing called for by the institutional design. Instead, the technical assistance team and NWCA were charged with preparing a series of joint action plans, including a producer pricing education campaign (to enable societies to set producer prices), a cooperative law dissemination campaign (to educate farmers on the new cooperative law being implemented by the government and facilitate cooperative restructuring), and a marketing strategy that dropped the previous requirement for using brokers, among other activities. Although the agreement meant that the full implementation of institutional reforms would be delayed until Year Four, the final year of the project, it nevertheless kept NWCA on the path of reform.

In May 1993, the first of three intra-annual reviews of the cooperative restructuring component to be held during the year was convened in Bamenda. Considerable progress was reported on the action plans to upgrade the NWCA Marketing Department and to improve finance and accounting procedures. Less progress had been made on producer pricing and cooperative law dissemination, and deadlines had passed without action. Nevertheless, NWCA and the technical assistance team had begun working together effectively. The review facilitated the open discussion of issues pertaining to the preparation of the action plans, and it clearly marked a turning point in the project. By the next intra-annual review in September, the action plan for society-level producer pricing had been readied, and the NWCA board signalled a willingness to proceed. The education campaign was conducted in October and, at the same time, national dissemination of the new cooperative law allowed the cooperative structure to be reorganized, resulting in the creation of 33 new marketing societies. Many of the existing 40 societies, created in the past through government-sponsored amalgamations, chose to subdivide in order to recreate

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the village-level cooperatives strongly preferred by farmers. In addition, the NWCA Marketing Department reported a very successful marketing campaign for 1992-93, selling all its stocks of coffee at good prices, averaging close to the average world price.

By the November intra-annual review, NWCA stood at the threshold of what may be a new era. PRAMS I reforms were fully in place. For the 1993-94 season, the 73 marketing societies determined their own producer prices based on the unique costs of each society and union plus the NWCA. Following devaluation of the CFA Franc in early 1994, producer prices ranged from 476 FCFA/kg to 542 FCFA/kg and averaged 519 FCFA/kg. This compared to an initial price offer by UCCAO, a cooperative union in neighboring West Province, of 400 FCFA/kg, subsequently raised to 475 FCFA/kg. Private traders were unable to match NWCA's prices. Clearly, NWCA had emerged from the reform process able to compete in the newly liberalized arabica market.

Portions of the cooperative restructuring component were never made to work as intended. Foremost among these was the Crop Finance Revolving Fund. After NWCA's initial difficulty in replenishing the fund, USAID resolved to commercialize the financing arrangement, treating the fund instead as a guarantee to be administered by a fiduciary bank allowing NWCA to obtain commercial credit. NWCA stoutly resisted this change, and it never came to pass. In order to buy coffee for the 1992-93 season, NWCA received financing from the European Development Fund. In the end, NWCA directly obtained commercial credit to conduct the 1993-94 campaign without reference to the guarantee fund.

Although it is much too soon to judge the extent to which the quasi-market institutional design is working as intended, the preliminary indications include both pluses and minuses. Most of the 73 marketing societies, which make up the base of the cooperative structure, responded to the new producer pricing arrangement by reducing their costs sharply. There was also substantial cost reduction at the level of the NWCA, but less was observed at the union level where further cost reduction is clearly feasible. In addition, within some unions there is little or no price variation among societies, indicating union dominance of the producer pricing process. The institutional design did not expect, however, that the full effect of reform would be instantaneous, felt within a single season. Moreover, new elections, mandated by the new cooperative law, led to changes in the leadership of several unions as well as the NWCA itself--changes that require time to produce results.

The cooperative structure has already begun responding to quality claims, made by world buyers during the 1992-93 campaign, with stronger efforts to improve and control quality, as anticipated. The return to village-based marketing societies, it is expected, will strengthen the ability of the cooperative structure to monitor and control the on-the-farm practices that contribute to or detract from coffee quality.

This report concludes with a research note on the impact of policy reform on the UCCAO cooperative structure in West Province. UCCAO is a union of six cooperatives--each one much larger than the marketing societies found in the North West Province. UCCAO has long enjoyed the right to export directly its own arabica coffee, and it did not receive direct restructuring assistance from PRAMS I. Nevertheless, new organizational autonomy supplied by the reform of the cooperative law and competition resulting from arabica market liberalization have combined to induce structural change. Upon implementation of the new cooperative law, UCCAO and its cooperatives dismissed all of the civil servants who had occupied top management posts in the structure. New elections resulted in substantial turnover on boards of directors. The six cooperative managers formed a committee that led to a reorganization of the apex organization. Substantial reductions in force have been made at both levels of the structure. within some cooperatives, efforts are being made to decentralize operations so as to give greater attention to farmers at the village level. However, all UCCAO cooperatives continue to offer a uniform producer price throughout West Province.

INTRODUCTION

This report traces the problems of introducing a package of institutional reforms into a once tightly controlled, government-managed marketing system in the North West (NW) Province of the Republic of Cameroon, and discusses its impacts. The reforms were introduced through the cooperative restructuring component of the Program of Reform of the Agricultural Marketing System--Phase I (PRAMS I) conducted by the Office of Economic Analysis and Policy Reform Implementation (EAPRI) of the United States Agency for International Development's Mission in Cameroon (USAID/Cameroon) between August 30, 1990 and June 30, 1994. The PRAMS I cooperative restructuring component was designed to assist NW farmers in adapting to a liberalized arabica coffee market, while minimizing the social costs of adjustment. The assistance focused on strengthening and restructuring the North West Cooperative Association, Limited (NWCA)--then the sole arabica coffee marketing structure in NW Province. The restructuring project introduced new internal marketing arrangements within the cooperative structure to complement USAID's policy reform efforts to liberalize and privatize the arabica coffee sector in Cameroon.

NWCA is a federation of 11 area cooperative unions. Each union is formed by a number of marketing societies, 40 in all when the program began. An estimated 35,000 farmers produce coffee in the North West Province, all smallholders. The 11 unions operate a total of 12 coffee mills, where arabica coffee is hulled and graded. The apex organization of NWCA supplies expert marketing services and engineering services to the area unions.

Briefly, the key implementation problem faced by USAID was how to introduce a decentralized, quasi-market design in the context of a cooperative structure accustomed to top-down management that was tied to the government through the employment of civil servants. In addition, economic activity within the cooperative structure was driven by incentives to inflate costs, and the cooperative was often used by local "big men" to derive economic rents. The institutional reforms had to be introduced through the very people who had benefitted most from the pre-reform environment. This report analyzes the sources of the difficulties encountered in implementing the restructuring reforms and the process by which these difficulties were overcome, based on a chronology of the key events and difficulties during project implementation.

The report is organized as follows. Section I sets the stage for the cooperative reforms by briefly describing the economic conditions and the old policy environment that created the need for the reform program. Section II describes a quasi-market design for restructuring NWCA and sketches the elements of the institutional reforms required to implement the design. Section III describes the genesis of the restructuring project and the plan to assist NWCA. Sections IV, V, and VI present a chronology of key problems and turning points experienced in implementing the reforms. Section VII offers conclusions about the restructuring and reform efforts in NW Province and, to the extent possible, evaluates the performance of the quasi-market design.

The study is the result of one year of research in NW Province between March 1993 and March 1994. The research effort was to have covered two years, but was shortened by the decision to close USAID/Cameroon. This required a revision of the research effort. Although the research was originally to have focused on the performance of the reformed cooperative structure, time constraints permitted only partial study of the first coffee season in which the reforms were introduced. Instead, the study focuses primarily on the difficulties encountered in introducing the design for reform. The study was based on a thorough study of project documents, extensive and repeated interviews of participants in all stages of the project from design to completion, and field observations in NW Province.

I. BEFORE PRAMS I: THE OLD ARABICA COFFEE POLICY ENVIRONMENT IN NORTH WEST PROVINCE

To understand and appreciate the cooperative restructuring component of PRAMS I, it is necessary to describe the pre-reform environment in which NWCA operated. In particular, this refers to the arabica coffee marketing regime and the cooperative governance structure defined by the Government of the Republic of Cameroon (GRC). In short, this policy regime produced an outcome for NWCA that left it on the brink of bankruptcy, with no reserves or money to pay farmers for their coffee. Farmers in North West Province were disillusioned with their cooperatives and with arabica coffee in general.

Although cooperatives in NW Province had a long history of relative independence and autonomy in colonial times, the post-colonial experience witnessed increased government control over marketing activities and cooperative operations. For North West Province, this was especially true after 1962, when the United Republic of Cameroon was created and the central government tried gradually to bring Anglophone Cameroon under the centralized French system. In particular, passage of the 1973 Cooperative Law greatly expanded the role that the GRC played in the internal affairs and operations of cooperatives and increased the discretionary influence of government officials over cooperatives' resources and decisions.

A. Old Arabica Coffee Marketing Regime

External coffee and cocoa marketing in North West Province was the responsibility of the National Produce Marketing Board (NPMB)--a government marketing parastatal. NWCA was appointed sole Licensed Buying Agent (LBA) for North West Province. This meant that NWCA was obligated to buy all coffee and cocoa in NW province. NWCA, in turn, was responsible for delivering coffee to NPMB for shipment. NPMB retained the right to all surplus from coffee sales abroad. In theory, surpluses would be used to run a commodity price stabilization fund, invest in infrastructure, provide subsidized inputs, and develop other sectors of the Cameroonian economy. In practice, the surplus went into GRC coffers where it was prioritized to be used as the state saw fit.[1] NWCA, together with its member unions and primary societies, were reimbursed for their operating costs in collecting and processing coffee through payment of a Block Buying Allowance (BBA), which was determined by NPMB. The BBA was a fixed allowance for all cooperative units within the NWCA structure, regardless of location, cost, or efficiency considerations. In theory, NWCA could negotiate with NPMB to cover its costs. In practice, the BBA was fixed at 132 CFA/kg between the 1982/83 and 1988/89 coffee seasons.[2]

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[1] This practice angered people in the NW Province. There is repeated grumbling that the Marketing Board took farmers money and reinvested nothing into the Province.

[2] The BBA was to be allocated as follows: NWCA--30.5 FCFA/kg; unions 89.3 FCFA/kg; primary societies 12.2 FCFA/kg.

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The parameters of the coffee marketing season were determined by the Ministry of Industrial Development and Commerce (MINDIC) through NPMB. The GRC tightly controlled the marketing season by issuing coffee texts to which NWCA, as an agent of NPMB, had to strictly adhere. These texts included:

- declaring the opening and close of the domestic marketing campaign;
- declaring a list of Licensed Buying Agents (LBA) who could legally buy coffee;
- setting the producer price for arabica coffee, as well as deciding the level of bonuses (if any). This arabica producer price was uniform, nationwide; and
- setting coffee acceptance, processing, and grading requirements.

NPMB distinguished and priced four kinds of arabica coffee each year: washed good beans, washed bad beans, unwashed good beans, and unwashed bad beans. NPMB maintained a smaller price differential between robusta and arabica coffee than that in the world market. In addition to not rewarding coffee quality, the NPMB pricing policy favored robusta production over arabica coffee.

NWCA was dependent on NPMB for crop financing. Over time, this relationship became increasingly problematic. NWCA repeatedly experienced difficulties in securing timely crop financing. In 1982, NPMB had promised to provide funds by December 1 of each year, enabling NWCA to purchase the coffee crop on the basis of the previous year's sales. The level of funding was reduced from 100% of the previous year's crop to 50% in 1983. This often created a shortage of funds for purchasing coffee late in the coffee season. In 1987, NPMB agreed to provide initial advances to NWCA, amounting to 40% of the value of the previous year's crop in November and 20% in December. As of February, NPMB would pay advances based on the previous week's acceptances. NPMB clearly relied on a two-payment system to farmers. As will be seen, as Cameroon's financial crisis deepened, the payments to NWCA became increasingly irregular.

A key point in understanding the cooperative restructuring component of PRAMS I is the fact that Cameroon had two arabica marketing policies in effect. UCCAO, a cooperative union in West Province, was not required to market arabica coffee through NPMB. Beginning in 1970, the GRC granted UCCAO the right to market its arabica coffee externally. Thus, UCCAO enjoyed the right of residual claimant to the surplus from coffee sales. However, at the same time, UCCAO was obligated to pay producers the GRC decreed price for coffee.[3] Thus, unlike NWCA, during the period of high coffee prices in the late 1970s and early to mid-1980s when the producer price for arabica coffee ranged from 30% to 40% of the FOB Douala price, UCCAO was able to accumulate large reserves and make investments in its cooperative structure.[4]

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[3] This right applied only to arabica coffee. UCCAO was obligated to market its robusta coffee and cocoa by way of the Marketing Board, and to follow the GRC texts regulating these crops.

[4] The GRC also obligated UCCAO to take on several rural development functions in West Province. Thus, UCCAO in many ways served as a multifunction development agency. In the early 1980s a similar role was planned for NWCA in North West Province. Given financial management problems at NWCA, the GRC decided NWCA was not fit for this role. Thus, MIDENO (*Mission de Développement de la Province du Nord-Ouest*) was created.

B. Cooperative Governance Regime

The internal affairs of cooperatives were tightly controlled by the Ministry of Agriculture (MINAGRI) through the Department of Cooperation and Mutuality (Coop/Mut). MINAGRI historically supported the expansion of the role of the NWCA apex organization in controlling the activities and operations of its affiliated cooperatives. MINAGRI also promoted an increased tutelary role of the GRC in the affairs of cooperatives.[5] Thus, the GRC, via Coop/Mut, had broad interventionist and supervisory powers over the financial management and decision-making of cooperatives. Coop/Mut approved all budgets and investments, played a large role in determining the content of cooperative by-laws and articles of association, conducted financial investigations of cooperatives, and approved all personnel decisions. In particular, Coop/Mut had to sanction any dismissal of staff.[6] Finally, MINAGRI had the right to impose cooperative restructuring, such as the amalgamation of local cooperatives, if it decided this would reduce costs.

The net impact of the cooperative governance regime was a very top-down structure in which

- NWCA had to accept and implement Coop/Mut instructions--which were designed to reflect the fact that NWCA had to fulfill obligations to NPMB.
- Cooperative unions were obligated to accept the instructions of NWCA, particularly in the areas of marketing, accounting, and administration.
- Cooperative marketing societies were obligated to receive crop financing from and deliver produce to the unions. This gave unions a substantial voice in the affairs of societies.
- Both member and non-member farmers in the area of operation of a society were required to deliver their produce to that society. Selling coffee to any other cooperative or buyer was illegal and branded as "smuggling."

MINAGRI played a major role in restructuring NWCA over time. Prior to 1973, there were 251 primary marketing societies within NWCA. Thus, primary societies were organized on a village-by-village basis. In 1973, MINAGRI reorganized the NWCA structure by amalgamating primary societies, reducing the number to 100. In 1986, the number of primary societies was further reduced, from 92 to 40. Farmers had no say in these decisions.

By contrast, the number of cooperative unions, each composed of some number of societies, gradually increased between 1959 and 1977 from five to eleven. Usually this entailed creating smaller unions from within large unions. In some cases these decisions were guided by ethnic considerations and the desire to have a union's area of operation reflect existing civil administrative units. However,

[5] This reflects the French philosophy that farmers should be protected by the state from unfair market practices and/or mismanagement.

[6] Apparently, Coop/Mut's standard operating procedure was to transfer rather than dismiss staff.

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the union splits often were influenced by political leaders to curry favor with their constituents. In any event, the increase in the number of unions increased personnel costs within the cooperative structure.

The net effect of the marketing and cooperative policy regimes was a loss of farmer voice in cooperative affairs and a greatly expanded role for the GRC. NWCA was effectively an agent of NPMB; unions, an agent of NWCA; and societies, agents of unions. The producer price system contained no incentives for farmers to take an interest in coffee quality since they would receive the same price regardless. Neither did a government-determined price give producers incentives to monitor the performance of their cooperatives and hold them accountable. The BBA system gave the cooperative structure no incentive to reduce or control costs since the same BBA was paid to efficient, cost-conscious cooperatives as to inefficient, high-cost cooperatives. Farmers became disgruntled with their cooperatives and discouraged with low payoffs in arabica production. The long-term trend in the province was steadily declining coffee production as farmers diversified from coffee to food crops or took less care of their coffee trees.

C. NPMB Financial Difficulties and the Dawn of PRAMS I

In 1985/86, the arabica coffee marketing system in NW Province began unravelling due to a deepening economic crisis in Cameroon. This economic crisis would continue through the life of PRAMS I without signs of recovery. The crisis was brought on by steep price declines in the world price of Cameroon's primary exports: oil, coffee, and cocoa. With declining revenues, the GRC found it could no longer support its overstaffed and bloated bureaucracy--the growth of which was fueled by the rapid economic growth spurred by oil production between 1977 and 1985--or its bureaucratic marketing regime. During the crisis the GRC has experienced deep financial difficulties and liquidity problems.

The economic crisis had devastating impacts on the NPMB/NWCA coffee marketing arrangements. Facing a burgeoning deficit, the GRC began to prioritize all available funds to pay civil service costs and its operations. They also froze new public investments and halted payments to local suppliers and marketing agents. This caused firms to default on loans to domestic banks. Furthermore, the GRC was unable to pay subsidies to parastatals. In sum, a serious financial and liquidity crisis gripped Cameroon and the GRC. This led to non-payment of farmers for their crop and the accumulation of arrears owed by NPMB.

In the case of NWCA, financing became increasingly difficult to secure from NPMB. Payment to NWCA became more irregular and uncertain despite the fact that there should have been substantial reserves in NPMB's arabica coffee stabilization fund. Between 1978/79 and 1988/89, according to local estimates, NPMB made profits of approximately 14 billion FCFA on sales of arabica coffee from NW Province. This does not include reserves that NPMB accumulated from marketing robusta coffee and cocoa. Thus, NPMB should have been able to weather the storm of declining commodity prices. Instead, no reserves were found at NPMB. In 1989 it was estimated that NPMB owed NWCA 3.9 billion FCFA in arrears (CDC; DFM, 1990)--including approximately 2.3 billion FCFA owed to NW farmers.

As a result of these difficulties, arabica coffee production in NW Province steadily declined from a five-year average of 8,296 tons between 1974/75 and 1978/79 to a five-year average of 5,712 tons between 1984/85 and 1988/89 (CDC, 1990). Farmers in the Province were putting less care into maintaining their trees, not regenerating their coffee trees, moving out of coffee production into food crops, and even uprooting their trees.

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II. PROGRAM DESIGN: ELEMENTS OF THE PRAMS I COOPERATIVE RESTRUCTURING COMPONENT

Key events in 1989/90:

- CDC proposal to restructure NWCA
- Quasi-market institutional design developed
- USAID restructuring proposal prepared
- NWCA rejected CDC proposal and accepted USAID's

Originally, USAID did not envision a cooperative restructuring component within PRAMS I. While USAID/EAPRI focused its attention on policy reforms to liberalize and privatize the arabica coffee sector, the Commonwealth Development Corporation (CDC) proposed a project to assist NWCA in restructuring. The USAID policy reforms and CDC project assistance were viewed as complementary. USAID would help to create the necessary policy environment in which CDC assistance could strengthen and improve NWCA's operating efficiency, marketing capability, and business decision-making.[7]

A. The CDC Proposal to Assist NWCA

CDC originally proposed establishing a Joint Venture Company (JVC) with NWCA to process and market arabica coffee. This would entail reorganizing the cooperative structure into a vertically integrated business under joint CDC/NWCA management. The JVC was to be named the North West Cameroon Coffee Company, Ltd. The NWCA and its 11 unions were to be shareholders, contributing equipment and assets to the company as equity. In turn, CDC proposed investing in new machinery, equipment, and vehicles on an equity basis. The new company was to be a commercial structure in which processing and grading would be entirely controlled by company management. The company would own and operate all processing machinery. Cooperative unions and societies would be agents of the company, collecting coffee and making sure coffee processing was done in a manner to enhance quality. The JVC would also externally market coffee. The project design anticipated that by improving processing efficiency and streamlining marketing activities there was an opportunity to increase the net returns of farmers and operate the company profitably.

However, CDC insisted that the JVC be managed separately from NWCA with its own General Manager (GM) and Board of Directors[8]. CDC would staff the positions of General Manager and Engineer with expatriates for a period of three years and hire a marketing consultant. NWCA

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[7] Interviews indicate that for EAPRI this division of labor between USAID and CDC was an ideal solution. EAPRI believed that one reason for the success of policy reform in the fertilizer subsector in FSSRP was that it did not include an assistance project. Thus, EAPRI's limited personnel and financial resources could be devoted entirely to applying a labor-intensive strategy of policy reform and not on time-consuming project assistance. This helped create a convergence of views between EAPRI and CDC.

[8] The proposed Board would include representatives of financing agencies (including CDC), NWCA, and the GRC.

would retain its own management and Board of Directors. The CDC proposal anticipated that the GM of the joint venture would work closely with, but independently of, the GM for NWCA. JVC management would also keep separate financial accounts. CDC insisted on this management arrangement to safeguard its investments and enhance the profitability of the company's operations. As originally proposed, the CDC proposal clearly would have transformed NWCA into a business structure run on a for-profit basis.

Although the NWCA Board of Directors approved the JVC proposal, it began to unravel in early 1990 for several reasons:

- MINAGRI replaced the General Manager of NWCA in late January 1990. The new GM, Dr. R. Ghogomu, came to NWCA with a mission to restructure and diversify NWCA. He objected to the JVC on the grounds that it would introduce a duplicate management structure that would be costly and could lead to tensions between the JVC and NWCA staff. This concern led to a reexamination of the JVC proposal.

- A CDC feasibility study also concluded that the JVC proposal would lead to an artificial separation between (1) coffee production and farm-level primary processing and (2) secondary processing and external coffee marketing. Thus, the JVC would have had limited control over coffee quality, which is in large part determined during primary processing by smallholders at the farm-level.

- It was not certain that the JVC was compatible with the existing cooperative law or its proposed liberalization.

Without management control over the JVC, CDC was unwilling to invest capital in restructuring NWCA. Thus, its revised proposal was very different from the JVC proposal. Instead, CDC proposed a package of loans, grants, and technical assistance to strengthen the existing NWCA cooperative structure so that it could function in a liberalized arabica coffee policy environment. This revised CDC proposal was presented to the NWCA Board of Directors in July 1990. It included the following elements:

- CDC would provide loans of up to 1.430 billion FCFA to provide working capital for NWCA operations--including input supply, factory operation, crop pre-financing and evacuation. The loans were repayable over a ten-year period at an interest rate of 7% after a one-year grace period. These loans were intended to fund up to 50% of the project cost. Funds from other sources, both national and international, would have to supplement CDC's restructuring effort.

- CDC would provide grants to rehabilitate NWCA's existing union mills and factories. CDC concluded this would be more cost-effective than installing the new hulling equipment that NPMB had purchased for five unions in 1986 but had never installed.[9] In addition, the CDC proposed making improvements to NWCA's transport, workshop, radio communication, and storage facilities.

[9] NPMB had also purchased but never installed a central coffee conditioning plant for its Bamenda headquarters. Contrary to its JVC proposal, CDC also concluded that it was needless to install the conditioning plant at NWCA.

- Four smaller unions would be amalgamated with larger unions to form a total of seven unions. This would enhance the viability and efficiency of unions.

- NWCA would develop a new organigram (organizational structure). Three key on-line management positions would be created and filled by CDC technical assistants in the areas of technical coordination, coffee processing, and financial control. These posts were to be temporary only and funded by CDC under a three-year CDC/NWCA contract.

- The coffee mills would be owned by the NWCA apex organization to be used as security for the CDC loan. In addition, union managers, bookkeepers and mill operators would be employed by the apex, which would thus effectively control union operations. This arrangement would continue until the CDC loans were repaid.

- CDC would facilitate the creation of a marketing capability within NWCA to market arabica externally. Brokers, or some other professional marketing service, would market NWCA's coffee competitively and receive a bonus for prices realized above the average price. CDC offered to provide this marketing service.

In the meantime, EAPRI had been rethinking how best to restructure NWCA. In a nutshell, EAPRI concluded that a quasi-market design (described below) was the most appropriate way to restructure arabica marketing in NW Province. Although in the early planning stages of PRAMS I, USAID and CDC shared a convergence of views, the revised CDC restructuring proposal ran into differences in philosophy and orientation between USAID and CDC. These differences could not be resolved despite much effort, leading USAID to propose an alternative NWCA restructuring project to the NWCA Board of Directors at that same July 1990 meeting.

After considering the CDC restructuring proposal and USAID's (rather sketchy) counter-proposal, the NWCA Board rejected the CDC proposal for the following reasons:

- The 7% interest rate for the CDC loans was too high. The Board indicated 5% would be acceptable, a rate CDC could not offer. Meanwhile, USAID indicated that its assistance would be in the form of project grants, not loans.

- The Board objected to CDC's recommendation not to install the five union hulling lines. NWCA feared losing equipment NPMB had acquired with "farmers monies."

- The CDC technical advisors would have management positions that included titles. The Board felt this was unnecessary and could lead to future problems if NWCA staff competed for the posts after the TA team left.[10]

- The Board seemed to accept USAID's view that the primary societies are the foundation of the cooperative structure and should be the focus of the restructuring

[10] Interviews indicate that NWCA's position was that if the CDC TA team had titles such as "Director" of "Assistant Director," the Cameroonians that replaced them would demand to be remunerated in a manner commensurate with the title. This would increase operating costs.

efforts. Thus, the Board reaffirmed the principles of farmer ownership of produce, decentralization rather than centralization, and a service orientation on the part of each union and the NWCA to farmers.[11]

B. The USAID Cooperative Restructuring Proposal

As stated earlier, EAPRI originally focused its efforts solely on policy reform activities. The CDC joint venture proposal was consistent with USAID's goals of liberalizing and privatizing the arabica coffee sector. At about the same time that this proposal was thrown into doubt in early March, 1990, EAPRI brought in a team of short-term consultants to assess and diagnose the institutional difficulties faced by producers and marketing agents in the arabica coffee sector.[12] The team's recommendations were highly influential on the evolving EAPRI restructuring proposals, set forth an institutional design and package of reforms that differed markedly from those of the CDC.

The study attributed the many difficulties besetting actors within the arabica coffee sector to institutional arrangements poorly adapted to the specific requirements of arabica coffee production, processing, and marketing. As a result, the old marketing and cooperative governance structure in Cameroon contained perverse incentives for actors within the arabica coffee sector. This mismatch between the characteristics of arabica coffee and the institutional arrangements in place produced undesirable outcomes, including:

- A marketing board unable to pay farmers for their crop; declining arabica production; poor quality arabica coffee due to poor processing procedures; and an inefficient marketing system with inflated costs.

- A cooperative structure responding to administrative decisions rather than market forces and members' interests. The BBA given by NPMB to the cooperative structure to cover its costs contained no incentives for controlling costs. The cooperative governance regime made cooperatives the agent of NPMB, not farmers, and gave farmers little voice in or control over cooperative affairs.

Thus, the consultants concluded that coffee production and marketing could be improved by transforming the institutional arrangements and policy environment constraining the production and marketing of arabica coffee.

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[11] In discussions, the NWCA General Manager reiterated his objections to the CDC proposal. He had been assigned to NWCA to oversee the restructuring and diversification of NWCA. He emphasized that the Minister of Agriculture had drummed the idea of decentralization into his ears prior to appointing him to NWCA.

[12] The consultants were R. Oakerson, S. Wynne, and S. Gellar. These consultants were part of the Decentralization: Finance and Management (DFM) project sponsored by the Office of Rural and Institutional Development of USAID's Bureau for Science and Technology (S&T/RD). Associates in Rural Development (ARD) was the prime contractor. One of the subcontractors for DFM was the Workshop in Political Theory and Policy Analysis at Indiana University, with whom the consultants were associated.

1. A Quasi-Market Design

The fundamental design question the team sought to address was how to design a privatization program appropriate for arabica coffee and its subtle characteristics, which suggest cooperative forms of organization as the most appropriate structure to organize processing and marketing. Production of high quality arabica coffee is a complicated and time-dependent process. During production, pruning, weeding, fertilizing and spraying are important activities contributing to coffee yields and quality. The critical stage in determining coffee quality is primary processing at the farm level. Improper processing affects the taste (not always the appearance) of roasted beans. Good quality arabica depends upon initiating processing within 24 hours of harvest and controlling the timing and duration of fermentation to preserve flavor. Farm-level washing involves several stages (pulping, fermentation, washing and drying) over a period of several days. Thus, incentives to produce good quality arabica coffee, in the context of smallholder production, must be directed to the farm-level. The basic problem is that the quality of arabica is difficult to discern at the point it is purchased from farmers, prior to roasting.

The quality of arabica coffee also depends on efficient hulling and grading of coffee. This is done in union mills with machinery that exhibit economies of scale. Thus, large numbers of dispersed smallholder arabica producers produce a perishable coffee parchment that is further processed at a concentrated number of mills--often only one in a specific production area. There is potential in this situation for a mill to exert considerable market-influence over relatively powerless farmers. In addition, it is important to control the moisture level of both coffee parchment prior to hulling and of coffee beans prior to export. Thus, maintaining the quality of arabica coffee during processing and shipment requires close coordination of processing stages and marketing function, implying the need for a vertically integrated market structure linking producers to the world market.

The fundamental design question was how to restructure NWCA as an association of cooperatives, each operating at an effective scale of operation with a service-orientation towards farmers, controlled from the bottom-up. Institutional reforms were required to change the internal cooperative relationships among primary societies, unions, and the apex organization. The proposed changes would essentially turn the top-down organigram of NWCA on its head. Equally as important would be to introduce reforms that permitted world market price signals to be communicated through the cooperative structure to farmers, thus rewarding production of good quality arabica coffee. Since primary processing at the farm-level is the key production stage adding value to coffee, price incentives would have to be directed to the primary societies, the point at which farmers directly interact with the cooperative structure.

The key elements of the design were as follows:

- *Vesting societies with rights as residual claimants to the income from coffee sales.* The design separates the concept of ownership into two rights: the right of a seller to transfer a commodity to a buyer and the right to claim the residual income from sales. The right of transfer is assigned to each tier of the structure, permitting NWCA to legally export and be liable for the coffee it sold. Societies are given the right as residual claimant until coffee is sold on the world market, meaning that variation in the world market price is reflected in a society's receipts. Since primary processing is the principal source of value-added in processing arabica coffee, it is appropriate that societies realize the gain or loss from variation in world price. By contrast, if the right of residual claimant were vested in the apex, the payment of primary societies would be a matter of apex policy.[13]

- *Society-level pricing in which the price offered producers reflects the true cost of processing and marketing coffee.* Essentially this involves pricing the services offered by different tiers of the cooperative structure and deducting them from the world price of coffee. Specifically, the system operates by each cooperative structure estimating the tonnage of coffee it will collect or process, and pricing its services on a per-kilo basis. Thus, the costs incurred in transporting coffee to the Douala port and port charges incurred in preparing coffee for shipment are estimated on a per-kilo basis. The apex estimates its costs of coffee operations (primarily marketing, engineering and administration services) on a per-kilo basis. Together the port charges and apex costs are deducted from the estimated world price per kilo. Each union estimates its processing/operating costs on a per-kilo basis. This cost is deducted from the estimated world price. Union costs should vary according to the efficiency of mill operations, tonnage processed, and transportation costs associated with evacuating coffee to Bamenda. Similarly, societies estimate the cost of their coffee operations and deduct the cost from the estimated world price. Societies' cost structures were expected to vary widely at first, given differences in tonnage and the costs of transporting coffee to unions. The producer price is determined after the society deducts its own costs.

Society-level pricing should lead to variation in the prices offered producers by societies since they reflect the unique internal costs of the union to which a society is affiliated and of the society itself. Each cooperative organization within the cooperative structure itself would be entitled only to its budgeted costs. The residual from coffee sales would go directly to societies. The estimated world price is intended to be a conservative estimate--high enough for the first payment to farmers to be competitive with prices offered by private traders, but low enough to minimize the risk of losses incurred if the actual world price is lower than the estimated price. Thus, society-level pricing anticipates a second payment to farmers to reflect actual sales performance.

Budgeting the costs of cooperative services is critical to society-level pricing. The system is designed to create a demand for cost control at the base of the cooperative structure. The pricing system also introduces inter-cooperative competition into the cooperative structure, providing incentives for cooperatives to be cost-conscious and efficient.

- *The right of individuals and societies to exit the cooperative structure or reorganize as they desire--subject to agreed-upon rules.* This right, together with inter-cooperative competition instituted by society-level pricing, is the driving force of NWCA restructuring. Without the right to exit, the incentives for cost control and improved efficiency contained in society-level pricing hold less force, since there is less

[13] It should be noted that vesting societies with the right of a residual claimant requires that all transactions between the society and to final delivery become administrative transactions within the cooperative structure.

likelihood of a cooperative going out of business. The threat of exit is also the driving force behind transforming cooperatives into a service-oriented, bottom-up structure.

Equally important is that the right of an individual or group to exit or reorganize would help reconstitute societies in such a way as to limit collective-action problems. By vesting the right of residual claimant in societies, benefits from improved quality control accrue to all members of the society. Thus, the direct benefits for an individual farmer from producing a consistently good quality of coffee depend on the actions of other farmers in the group. There are incentives for free-ridership.[14] The design assumes that collective action problems are related to the large size of primary societies--some with over 1,000 members--resulting from amalgamation in 1986. The smaller the size of a primary society the more likely members can monitor each other's behavior, develop rules to monitor and enforce coffee quality acceptance standards, and hold cooperative officials more accountable to their membership. The design anticipated a period of experimentation as societies sub-divide into smaller units. The design also anticipated that some societies would reaffiliate with more efficient, cost-conscious unions.

Although the right of exit originally contained no limitations, the institutional design was amended, at the request of the NWCA Board of Directors, to require individuals or societies to commit to marketing their coffee through the cooperative structure in any given season. This was a necessary component to ensure the coffee crop could be used to secure crop-prefinancing and to give the cooperative structure a reliable supply of coffee to process and market in any given year. Thus, changes in affiliation and flows of coffee were not expected within a coffee season, but between coffee seasons.

The quasi-market design within the cooperative structure in no way precluded private traders. Instead, private traders would likely be able to offer farmers a higher price up-front than a cooperative relying on a two-payment system, giving private traders a potential market niche. The presence of private traders would pressure cooperatives to offer the best first-payment possible by lowering costs. Private traders were also expected to enter the market in areas where cooperatives were not successful due to mismanagement. Private traders and cooperatives would have incentives to maintain their market position by establishing regular, long-term relationships with farmers. The design anticipated potentially significant competition between private traders and the existing cooperative structure.

The expected outcomes from the quasi-market design were that societies would reorganize to better serve their purpose of improving and maintaining coffee quality. Unions would reorganize to increase the efficiency and quality of their processing operations, and the apex would develop a capability to effectively market coffee abroad. Together, these outcomes would increase farm incomes and revitalize the arabica coffee sector in NW Province. Introduction of the design, however, was expected to require a period of learning and experimentation.

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[14] Problems of collective action and free-ridership are especially problematic for arabica coffee because a small amount of bad quality coffee can lower the quality of a large quantity of good quality coffee.

2. *Preparation of the USAID Restructuring Proposal*

EAPRI accepted the market-like approach to restructuring NWCA. The principles of voluntary association, decentralization of the cooperative structure, and competitive pricing better corresponded to USAID's objectives of liberalization and privatization of the arabica coffee sector. EAPRI's acceptance of the design contributed to the growing philosophical differences with CDC and the decision to present a counter-proposal to NWCA. Thus, having concentrated most of its activities on policy reform activities, USAID belatedly had to prepare an NWCA restructuring proposal to introduce the quasi-market design. The elements of the proposal presented to the NWCA Board in late July are formally described in the Program Assistance Approval Document (PAAD) submitted by the Mission to AID/Washington in August 1990.

USAID's cooperative restructuring proposal consisted of providing technical assistance to support implementation of a series of operational changes and organizational reforms. Together, these restructuring measures were designed to improve coffee quality and increase the efficiency of NWCA operations, reducing costs.

The operational activities were planned by examining generic coffee operations[15] from two perspectives. First, EAPRI identified who in the arabica coffee sector was in the best position to perform specific coffee processing and marketing functions in a manner consistent with improving and controlling coffee quality and minimizing the problems associated with the old policy regime. Second, EAPRI focused attention on creating and institutionalizing incentives to encourage the cooperatives to operate efficiently.

The major operational changes were as follows:

- To transfer external coffee marketing functions from the NPMB to NWCA.
- To transfer the responsibility for price setting from MINDIC to cooperatives. Underscoring quality concerns, new parchment (unhulled coffee) acceptance procedures would be introduced to make preliminary quality distinctions and permit more gradation in price than allowed by a simple "good bean"/"bad bean" distinction.
- To assign each tier in the cooperative structure the responsibility for arranging the transport of coffee to the next higher tier, thus creating incentives for cost control and more efficiency.
- To rehabilitate and refurbish the coffee mills operated by cooperative unions.

The goal of organizational restructuring was to increase the efficiency of cooperative operations as a whole. Institutional reforms would be implemented to alter the relationships from a top-down to bottom-up structure with primary societies as the foundation. For the cooperative structure as a whole, by-laws and articles of association would be rewritten and implemented to

[15] These operations were broken into six production and transformation steps (coffee growing, harvesting, washing, hulling, sorting, picking) and eight marketing functions (price setting, coffee acceptance, internal transport, locating buyers, evaluating price offers, certifying coffee quality, port clearing, and shipping).

establish the right of exit for individuals and societies, while reinforcing the concept of federation based on principles of voluntary association between farmers and their cooperatives and between tiers of the cooperative structure.

New Internal Marketing Arrangements (NIMAs) would be devised and introduced to organize the administrative transactions between tiers required by the quasi-market design. The NIMAs consist of a set of protocols negotiated and agreed to between the tiers of the cooperative structure to govern the organization of coffee marketing in a given season. They represent a critical component of the institutional design. NIMAs include the following elements:

- Annual preparation of a schedule of internal prices (or costs) for the hulling and other services provided to societies by unions, and for the marketing and other services provided by the NWCA apex organization. The schedule also includes the estimated sales price for coffee on the world market and society-level crop estimates. These are the critical components of society-level producer pricing.

- Acceptance/Receiving Procedures. This protocol is designed to create incentives to reward farmers for higher quality parchment coffee and to improve the consistency of accepted coffee. The acceptance procedures specify how parchment of varying quality will be distinguished. Distinguishing quality would depend on the number of defective beans contained in a sample of parchment and on color and odor characteristics. Three classes were established: Very Good, Average, and Poor. The NIMAs also define a union coffee-acceptance procedure that mirrors the society-level procedure.

- Processing procedures established annually to ensure that unions adhere to high standards of coffee processing.

- A procedure for marketing arabica coffee to be adopted each season. A key item in this protocol is to determine how NWCA should market union coffee. The options include that the apex market each union's coffee separately and attribute the value received for the coffee to each individual union, or to market lots of coffee from different unions and pass on to unions the average price from sales. As originally proposed, union by union marketing was decided.

- An affiliation protocol committing each primary society to deliver its coffee to a designated union in any given season. Each union also commits itself to deliver its coffee to NWCA for marketing.

- A crop-financing protocol that specifies the terms and conditions under which the NWCA apex organization seeks crop financing and provide funds to each society through unions.

- A protocol on distribution of the surplus (or losses) from coffee sales. This protocol entitles each society to the surplus from coffee sales each year. Although the exact formula for distributing the surplus is a matter to be determined annually through negotiation within the cooperative structure, the funds received by NWCA from its coffee sales are not to be distributed as it sees fit.

Reforms would also be introduced to establish managerial and financial autonomy at each tier of the cooperative structure. Financial autonomy of each tier would require securing clear title to physical assets. Managerial autonomy would require that each cooperative unit in each tier employ its respective staff, changing the previous top-down relationships. Specifically, the USAID proposal called for the removal of all civil servants assigned to the cooperative, turning the responsibility for appointing and paying union managers (who previously were apex employees) over to the unions, and laying off union-level cooperative inspectors (who traditionally played an intrusive role in the activities of societies). The net impact of these organizational reforms would permit freedom of association within the structure and make each cooperative unit within the NWCA structure responsible for its own affairs.

At the primary society level, technical assistance would be provided to implement the institutional reforms and strengthen financial management. This would require bringing books up to date, introducing simplified and standardized financial management systems to replace out-dated, overly complicated, and often poorly practiced accounting procedures. A series of workshops to train society managers in using the new systems was foreseen.

Union restructuring would depend on the introduction of improved cost-accounting procedures. This would be an important first step in introducing society-level pricing, which required that a union's estimated internal costs reflect real costs. Technical assistance would place emphasis on introducing more detailed, accurate, and transparent accounting procedures. Technical assistance would also address the question of whether union staffing levels were too high. Severance payments for dismissed staff would be programmed from PRAMS I local currency funds.

Apex-level restructuring would involve a similar focus on improving cost-accounting procedures. Studies would be conducted to determine appropriate apex staffing levels. Again, PRAMS I local currency would be programmed to pay severance benefits.[16] Technical assistance would also help establish, equip and staff a marketing department at NWCA. The goal was establish a functional marketing capacity at NWCA prior to the 1990/91 coffee marketing season, to be followed by a systematic program of training and technical assistance to ensure the long-run effectiveness of the marketing office. USAID also proposed expanding and strengthening internal audit services at NWCA.

Finally, USAID's restructuring proposal foresaw holding regular annual reviews attended by all PRAMS I participants (GRC, USAID, technical assistance, and representatives from all three tiers of the cooperative structure) and two smaller intra-annual reviews (to include USAID, technical assistance, NWCA management and senior staff, and union managers and presidents). These reviews were designed to provide a forum for dialogue in understanding and introducing the reform program. In addition, the review process permitted participants to review progress in implementing the institutional reforms, plan future activities, and to identify and resolve implementation problems. This would provide an opportunity to make mid-course adjustments in the institutional design.

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[16] The issue of apex staff reductions would turn out to be a lingering point of controversy between USAID and NWCA during the life of PRAMS I.

The timing of the USAID's restructuring proposal was problematic since it came at a time when preparations had to be made for the upcoming coffee season. This meant it would be logistically impossible for EAPRI to identify and place long-run technical assistance in the field prior to the 1990/91 season. Thus, the project was conceived in two phases. In a first phase, a team of short-term consultants would develop plans, conduct studies, and design specific reform measures to restructure NWCA. The intent was to design a program of reform during the first year of the project that would be implemented in a second phase to begin with the field placement of long-term technical assistance prior to the 1991/92 season. Thus, the first year of the project was to be a transitional year, in which only the most critical measures were taken for the operation of the marketing season, while at the same time putting NWCA on the road to implementing the organizational and operational reforms foreseen by the project. This would entail the development of a marketing strategy, organizational and management business plan (a strategic business plan), and a plan to increase the operational efficiency of union processing by short-term technical assistance.

In July 1990, USAID and CDC presented their alternative restructuring proposals to the NWCA Board. The Board rejected the CDC proposal and accepted the USAID restructuring proposal with reservations. The Board expressed fears that the reforms gave farmers and societies too much freedom, leading to uncontrolled and "destructive" affiliations and reaffiliations that would lead to "chaos" within the cooperative structure and disrupt cooperative activities. It was on the basis of these fears that conditions of exit were modified to commit members and societies to market their coffee through the cooperative structure for a given coffee season. However, if one reads between the lines, it appears the quasi-market features of USAID's proposal produced the most apprehension. The Board also stressed the need for more education of cooperative officials and members about the institutional reforms during project implementation. They requested the assistance of Peace Corps volunteers to work at the primary society level.

Only after rejection of the CDC proposal did USAID begin to focus its attention on the provision of technical assistance. As shown previously, time constraints forced USAID to rely upon short-term consultants to devise the specific institutional reforms and prepare transitional arrangements. More intensive implementation of the reforms would await field placement of long-term technical assistance. However, the provision of technical assistance would consistently run behind schedule throughout the program.

III. GETTING STARTED: THE 1990/91 ARABICA COFFEE SEASON

Key events in 1990/91:

- Preparations for reform implementation
- Failure to develop business plan
- Crop Finance Revolving Fund (CFRF) established
- NWCA approves Memorandum of Understanding--with reservations
- USAID increasingly adopts a hard line negotiating strategy with NWCA
- Year 1 PIA and NIMAs signed, but near the end of the year

Year One of the project ran from September 1990 to August 1991. Much of it was absorbed in planning. This included conducting studies on key issues (i.e., staffing, financial situation, marketing) to further define and develop restructuring needs and activities, as well as drafting key documents: a Memorandum of Understanding (MOU) outlining the basic goals, objectives and agreements between USAID and NWCA, a Program Implementation Agreement (PIA) outlining specific steps to be taken during the coffee marketing campaign, and NIMAs--the series of protocols that would organize the marketing season. This first year saw persistent problems in fielding technical assistance to help plan the campaign.

The focus of short-term technical assistance[17] was on the most critical operational and organizational restructuring measures to prepare for the 1990/91 coffee marketing season, while at the same time building NWCA's organizational capacity for future marketing campaigns. Since coffee harvesting begins as early as November, and the peak coffee processing and marketing activities occur in January-April, the fact that project assistance could get off the ground only in mid-October limited the number of restructuring activities that could be implemented in Year One.

The Year One accomplishments of the short-term TA team were as follows:

- Development of NIMAs, which structured the administrative transactions between tiers of the cooperative structure and set acceptance standards to improve the quality of parchment coffee. A series of union-level workshops for union and society personnel were conducted to explain the NIMAs and underscore the importance of farm-level coffee quality improvements. The workshops were both well-received and beneficial. The NIMAs did not, however, implement the proposed internal cost schedule that included separate costs for each cooperative organization. Instead, previously calculated average-cost figures were adopted for each level of the cooperative structure. Internal costs could not be computed for each cooperative organization without further study.

[17] The team was comprised of Chief of Party R. Oakerson, Institutional Analyst S. Wynne, Marketing Specialist K. Muir, Processing/Production Specialist K. Reher, and Financial Specialist R. Dow. The short-term TA team was contracted for as a buy-in to Associates in Rural Development's (ARD) centrally funded Decentralization: Finance and Management Project (DFM).

- A production/processing schedule developed for unions and plans for mill refurbishment efforts.

- A coffee marketing strategy developed for NWCA and monitoring of NWCA sales performance. Plans were also made for staff training.

- An analysis of NWCA's accounting and bookkeeping practices. However, no business plan was developed to address these issues.

There were other achievements during this first year:

- USAID established an 267 million FCFA Crop Finance Revolving Fund (CFRF) from PRAMS I local currency to provide money with which NWCA could pre-finance crop purchases in 1990/91. Although created late in the arabica coffee marketing season (May), this fund addressed NWCA's concerns that without funds, and without the financial wherewithal to secure credit, it would be at a competitive disadvantage with other traders. If NWCA could not pay farmers for their produce, farmer loyalty to the cooperative could not be restored.

- The GRC granted NWCA an export license to market 100% of its arabica coffee during 1990/91.

In late August 1991, an NWCA Board meeting attended by USAID took place to sign several key project documents, including the Memorandum of Understanding (MOU) between NWCA, Ltd., affiliated cooperative unions, and USAID, the agreement outlining the obligations of NWCA in implementing the PRAMS I cooperative restructuring reforms and USAID in supporting the restructuring effort, plus the Program Implementation Agreement (PIA) for Year One outlining the specific actions required of USAID and NWCA in implementing the reforms. NIMAs for Year One were attached to the PIA. It should be noted that the Year One PIA and NIMAs were actually signed only as the first year of PRAMS I was drawing to a close.

The tone of the meeting appears to have been enthusiastic and appreciative of USAID's assistance to NWCA. However, the NWCA board raised several reservations about the institutional design that echoed its earlier concerns. Once again it appears that the board was most apprehensive about the quasi-market features of the design, indicating that the reform program had yet to be fully understood and accepted. The board's reservations about the design included these points:

- The degree of freedom for NW Province farmers was "far too advanced" and would create total confusion about areas of operation. Some board members expressed doubt that a society or union could continue to exist without administratively defined boundaries.

- Farmers could jump from society to society, and societies from union to union, particularly without paying debts. The board feared this would have disastrous financial repercussions for unions.

- Society subdivisions (called "sections") would create a multiplicity of societies, many of which would not be viable.

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- Farmers might be lured away from cooperatives by private traders, who would initially offer high prices but would then exploit farmers after the collapse of the cooperative structure.

On the basis of counter-arguments by the General Manager, the board reluctantly agreed to the MOU and NIMAs but wanted certain assurances: that USAID provide financial assistance to clear the heavy debts of the cooperative structure and ensure that money be available for prompt payment to farmers delivering their produce to the cooperatives.

The board unanimously resolved to reject the provision in the proposed MOU that abolished sitting fees at all levels of NWCA. USAID strongly objected, arguing that: 1) paying sitting fees imposed a heavy financial burden on a cooperative structure already losing money, 2) this cost burden would increase as board meetings became more frequent in implementing the cooperative restructuring reforms, 3) if NWCA was serious about cutting its costs it would have to undertake painful measures such as laying off staff and abolishing sitting fees, and 4) farmers, not NPMB, would now be paying the fees. The board then resolved to reduce sitting fees by 25%, a solution that would prove temporary. This sitting-fee issue was to dominate discussions and create tensions between USAID and NWCA for months to come.

The board also had concerns about the clause in the MOU requiring that coffee be tracked from each society to the final point of sale. The clause was designed to implement the objective that each society be entitled to the surplus income from the sale of its coffee. The Board thought this would not be feasible. As a result, the institutional design was amended to track coffee only from the union level.

Despite the fact that the NWCA Board of Directors approved the MOU and PIA at this meeting, the discussions cast doubt on the degree to which NWCA was prepared to implement the reforms. The board's reservations about the MOU seem to reveal a reluctance to fully implement the painful cost-cutting measures inherent in the cooperative restructuring process. Furthermore, they reveal a reluctance at this early stage for board members to give up many of their privileges.[18]

Toward the end of Year One, difficulties began to develop with the Crop Finance Revolving Fund (CFRF). Although the MOU stated that the fund should be managed by a third party, NWCA argued that it should manage and administer the fund. USAID argued that this would place a heavy administrative burden on an organization with weak financial management. The CFRF would prove to be a point of persistent contention between USAID and NWCA.

Thus, the 1990/91 season witnessed piecemeal reforms. Frustrated by the lack of progress in reorganizing NWCA, USAID increasingly began to adopt a hard-line implementation strategy with NWCA toward the end of Year One to get restructuring moving.

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[18] One note of interest in the minutes of the Board meeting are comments made by the EDF advisor, who also provided technical assistance to NWCA as part of his duties in administering monies from the 4th EDF. The EDF advisor alluded to potential assistance to NWCA from the planned 7th EDF. If NWCA could get its financial house in order, it was likely the EDF would provide assistance in the form of new vehicles to NWCA, rehabilitation of NWCA stores, and motorcycles for society managers.

IV. A TRANSITION THAT WASN'T: THE 1991/92 COFFEE SEASON

Key events in 1991/92:

- Delays in fielding technical assistance plague reform implementation. Short-term consultants continue provide technical assistance.
- USAID demands reforms as a condition of assistance. Tensions with NWCA surface over USAID's stance on sitting fees, insistence on marketing via brokers, apex staff reductions
- Business plan is developed--too late to be effectively implemented during the season
- Cash flow problems at NWCA disrupt coffee season. Tensions surface over CFRF
- Delays in GRC local currency disbursements intensify cash flow woes
- ISTI Long-term technical assistance and 5 of 11 Peace Corps Volunteers arrive in March 1992, well into the coffee season. Frictions quickly develop with NWCA.
- Annual Review was held in December; Intra-Annual Review in April
- Cost studies critical to implementation of society-level pricing fail to be completed
- No Year Two PIA or NIMAs signed

The 1991/92 campaign began without the selection of a long-term technical assistance team to work full-time in Bamenda. As a result, the "short-term" effort continued into its second year. Also, EAPRI continued to play a lead role in project implementation pending the arrival of long-term technical assistance. Year Two witnessed the beginning and heightening of tensions between USAID and NWCA.

Preparations for the coffee season began with a change in USAID's negotiating strategy with NWCA. In brief, USAID began to make stronger "demands" on NWCA. The demands were underlined by making components of project assistance, such as the CFRF, contingent on NWCA acceding to USAID's proposals. The demands were driven by a perception at USAID that NWCA was not doing enough to reduce costs and obtain revenues, plus a determination not to subsidize or encourage NWCA's inefficiencies. The tone of the discussions between NWCA and USAID changed. Meetings became difficult and contentious, rather than cordial and collaborative as before.

The list of USAID demands was as follows:

- A 25% apex staff salary reduction. Although salaries had been frozen (i.e., routine salary increases were suspended) and the apex had stopped paying medical benefits, EAPRI felt apex personnel costs were too high--especially in light of accumulating losses. Thus, USAID insisted on an across-the-board 25% apex salary reduction to reduce NWCA's operating costs. It was felt such a measure would demonstrate NWCA's willingness to make sacrifices for the well-being and survival of the cooperative. Finally, cost savings could be passed on to farmers in the form of higher producer prices.

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- Abolition of sitting fees. USAID insisted that sitting fees be abolished for boards of directors at all tiers of the cooperative structure. The supporting argument was that such a measure would demonstrate the boards' willingness to make sacrifices on behalf of the cooperatives and farmers. Abolishing sitting fees would also significantly reduce cooperatives' costs. Furthermore, the draft of the new cooperative law stated that the services of the board of directors should be honorary and free of charge. In exchange, USAID indicated that if NWCA could demonstrate significant actions to reduce costs, this would enhance the prospects for extending NWCA's legal monopoly in the NW Province through the 1991/92 coffee season.[19]

- Replenishment of the CFRF. Although the Activity Programming Document (APD) for crop financing mandated replenishment of the fund by Dec. 1, 1991, as of late October, NWCA had yet to replenish it. As a result, NWCA was facing severe cash flow problems in the near term and would have difficulties in financing 1991/92 coffee purchases. Thus, USAID proposed priority uses for NWCA revenues from sales of 1989/90 and 1990/91 coffee stocks. Foremost among these priorities was to replenish the CFRF. Despite agreements to replenish the CFRF on schedule, the 1991/92 marketing season would be disrupted by late replenishment.

- Marketing Arrangements. USAID strongly recommended that NWCA market its coffee through brokers, rejecting alternative proposals that the NWCA sell coffee directly to traders or use forward sales to secure crop-financing.

- Strategic Business Plan for NWCA. NWCA would adopt the strategic business plan being prepared by a management consultant during an October-January consultancy in Bamenda. This strategic plan included a cost analysis and reduction strategy, plus production, cash-flow, financing and marketing plans.

- Augmenting the CFRF. EAPRI proposed amending the APD for the revolving fund for coffee purchases by (1) increasing the fund to 750 million FCFA, and (2) authorizing use of the CFRF by NWCA in 1991/92. However, these actions would be conditional on NWCA's adopting the previous five courses of action.

The USAID demands were discussed with NWCA during a meeting in Bamenda in October. They were not warmly received. The GM accused USAID of changing its way of doing business by adding "conditions precedent" to its assistance to NWCA, a charge denied by EAPRI. On specific issues, the GM rejected the 25% salary reduction proposal for the following reasons: 1) the apex had already both demonstrated its willingness to make sacrifices and reduce costs by previous decisions to suspend payment of medical benefits and to freeze staff salaries (both decisions occurred prior to PRAMS I), and 2) an across-the-board salary cut would be counterproductive since it penalizes and

[19] The decision to extend the monopoly would be dependent upon a Joint Donor Review of NWCA's restructuring. USAID argued that donors would need to be convinced that NWCA was operating on behalf of its farmers, not merely replacing NPMB.

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demoralizes good, productive workers equally with poor, unproductive workers.[20] The GM instead favored a reduction in the work force. However, the GM insisted that such a reduction could only take place after appropriate study. The disagreement was resolved by NWCA proposing to develop a plan containing both salary reductions and staff layoffs. In turn, EAPRI promised to program local currency funds for severance payments. However, it would take most of the year to develop this plan and implement it.

The sitting-fee issue would prove contentious for several weeks. The GM insisted he was powerless to make such a decision. Rather, such a decision could be taken only by the NWCA Board of Directors itself. NWCA's counter-suggestion was to reduce sitting fees. Finally, after several heated meetings and under pressure from USAID in the person of the Mission Director, the NWCA Board resolved to abolish sitting fees in mid-December.

The GM expressed doubts that the 267 million FCFA crop revolving fund was adequate to purchase an anticipated 5,000 tons of coffee at the decreed producer price of 250 FCFA/kg. In fact, he argued that NWCA would require 1.25 billion FCFA to pre-finance arabica coffee purchases. Given the shortfall, the GM also argued that NWCA should be permitted to sell its coffee directly on the market, without using brokers.

The use of brokers was strongly resisted by NWCA, particularly the GM, and would be a contentious issue between USAID and NWCA for months. USAID's position was influenced by the recommendations of its short-term marketing consultant, who strongly recommended the use of brokers to ensure greater transparency in marketing. Marketing coffee directly to traders was less desirable since traders were primarily motivated by generating the highest profit margin and thus would tend to offer the lowest possible price for coffee. A small, inexperienced seller such as NWCA would have no price leverage with traders. A benefit of selling directly to traders, however, was that it might be possible to establish relationships to secure pre-financing from buyers.

By contrast, brokers work for a fixed fee and have a greater incentive to market the largest quantity of coffee at the highest possible price for their clients. Brokers had access to better market information and experience relative to that of NWCA. In addition, brokers offered better prospects for NWCA to develop strong and enduring market relationships based on trust and reliability, since brokers must be able to trust NWCA claims of coffee quality and availability. This would reinforce accountability in marketing and underscore the need to control coffee quality and marketing efficiency. However, it was also recommended that NWCA select multiple brokers to prevent the development of "special relationships" between NWCA and an individual broker.

In part to sell the concept of brokers, USAID sponsored a European tour of brokerage firms and coffee traders for NWCA staff, selected board members, and the PRAMS I Coordinator. Although expected to accompany the staff on the tour, the GM did not go. Upon hearing the report from the NWCA delegation, the NWCA Board formally accepted the proposal and selected two brokers. However, the GM was never convinced by the idea.

[20] T. Truong, the EAPRI chief, argued in favor of the salary cuts since they were easier to implement than staff reductions. In his view, NWCA cost cutting was critical.

In December 1991, the first (and only) Annual Review of PRAMS I was convened in Bamenda. Well over 200 participants attended the meeting, including all elected officers and a farmer representative from cooperative societies; managers and presidents of all societies, unions, and the apex organization; senior staff of NWCA; the USAID Director and EAPRI staff; short-term consultants R. Oakerson and S. Wynne; representatives from several donor organizations; representatives from the Arabica Policy Coordinating Committee (APCC) and other GRC observers; and observers from other cooperatives in Cameroon, including UCCAO.

In many ways, this large gathering effectively launched the restructuring program. In his presentation to the review, Oakerson stressed the twin goals of the program--cost control and quality control--and explained how the quasi-market design (society-level producer pricing combined with exit options for producers and societies) would enable the cooperative structure to reach those ends. His remarks were translated into pidgin English. T. Truong, Chief of EAPRI, stressed the need for NWCA to cut costs and improve efficiency. In a liberalized market environment, NWCA would have to compete with other buyers. He emphasized the urgent need for NWCA to restructure so that it could survive in the liberalized market. He warned that despite NWCA's precarious financial situation, there was too much complacency at NWCA at all levels. He reiterated that he expected NWCA to implement USAID's demands for reforms soon.

The tone of the meeting was optimistic and informative. In many ways the mood seems to have been one of anticipation for the new era of marketing to be ushered in over the course of PRAMS I. The activities undertaken during the first year of restructuring were highlighted. Participants reviewed progress to date, and needed steps in restructuring were underscored. The goals and objectives of the PRAMS I, and their implications for farmers and cooperatives, were well discussed. The New Internal Marketing Arrangements (NIMAs) were described. Ideas were solicited from the participants as to how funds could be disbursed and needs that needed to be addressed to strengthen the cooperative structure. The mood of optimism and progress was underscored when donors and the GRC indicated that they were willing to extend NWCA's arabica coffee marketing monopoly through the end of the 1991/92 season.

In the meantime, however, difficulties were brewing with the CFRF. The introduction of the CFRF was late due to several factors. First, NWCA was tardy in replenishing the fund, not doing so until the end of January, some two months behind schedule. Second, the GRC was months late in depositing local currency into the PRAMS I account,[21] constraining USAID's ability both to program and to disburse funds. Third, NWCA was slow to sell coffee from the 1990/91 season because it feared selling coffee at a loss given the fixed producer price. The fund had to be fully replenished before it could be accessed again by NWCA.

As a result of these difficulties, NWCA was left without money to purchase coffee as the season began. Promised payments to farmers for coffee already delivered were not made on time. This infuriated farmers and deepened suspicion of their cooperatives. Thus, NWCA's credibility was undermined just as the restructuring program was to get off the ground. Coming on the heels of the Annual Review, the problems caused much of the goodwill and optimism that had been generated to dissipate.

[21] Although the GRC was expected, by agreement, to deposit the local currency in late October 1991, it was unable to do so until late May 1992.

USAID's efforts to increase the amount of the fund from 267 million FCFA to 750 million FCFA were thwarted by further government delays in depositing local currency. The problem was finally resolved by 1) NWCA's replenishment of the fund and 2) an agreement that NWCA could access the fund for uses other than purchasing coffee, then reimburse the fund when coffee sales receipts began to come in.

Around this time, EAPRI began to push the idea that the fund should be commercialized and administered by banks. EAPRI believed that commercialization could serve as a mechanism to reinforce restructuring. Not only could conditions of access to the fund reinforce improved management and financial reporting at NWCA, but they could give the different cooperatives within the structure independent access to crop financing. A commercialized fund would be more sustainable in the long run, since interest payments would make NWCA more aware of the time-value of money, and permit NWCA to develop relationships with commercial lending sources for use after PRAMS I. Finally, commercialization would safeguard the fund, lead to greater transparency in financial management, lighten the administrative burden on NWCA, and send a clear message that the fund could not be used at NWCA's discretion. The commercialization option found support among GRC officials and the APCC. The plan was approved by the APCC for introduction at the beginning of the 1992/93 coffee season. NWCA, however, vehemently opposed commercialization.

A short-term management consultant worked at NWCA from October to January preparing plans for cost and staff reductions and to improve NWCA's cash-flow systems. Thus, the business plan anticipated during Year One finally materialized and was presented to the board during Year Two, in the midst of the marketing season. The timing limited the effectiveness of the proposals and complicated their implementation. Highlights of the report follow:

- The cooperative structure would face heavy losses in 1992 if it continued doing business as usual. NWCA had insufficient revenue to cover its operating costs. As a result, NWCA needed to cut its costs substantially.

- The NWCA apex organization was overstaffed by 60%, and the majority of staff were performing inadequately.

- Overall apex staff size could be reduced to a total of 22-24 employees, if employees performed adequately.

- The structure of the NWCA apex organization should be reorganized by folding four management positions into two Assistant Manager positions. This would create a compact management team sharing broad responsibility and reduce the workload on the overburdened GM.

- New administrative procedures were needed to ensure that apex employees effectively carry out their tasks.

- The proposed staff reduction and reorganization would slash personnel costs by 50% from 1991 levels, saving approximately 22 million FCFA at the apex level. Together with non-salary cost reductions, total savings from the plan would reduce expenditures by some 50 million FCFA--23% of the apex's 1991 operating budget. It was

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estimated these savings would represent savings of 10-17 FCFA per kilo of arabica coffee, depending on assumptions about tonnage.

The GM and NWCA Board accepted the outline of this plan and seemed eager to act upon it. However, the plan was not formally approved until a March board meeting, when it appears to have been approved with "reservations" as follows:

- The mission of NWCA was incompletely and not clearly defined.

- Detailed job descriptions and job profiles were not provided, making it difficult for NWCA to make decisions and therefore delaying actual staff reductions.

- The proposals were based mostly on past activities of NWCA and made little mention of the marketing and internal-audit activities brought about by PRAMS I. Thus, the recommended staff reductions and reorganization could not be concrete and were subject to change.

The GM urged the board to adopt the proposals as a first step, even if later planning and action would need to be taken in collaboration with long-term technical assistance. The board agreed to implement the plan despite "some doubts that remained in the back of their minds" about the incompleteness of the report. The board resolved to identify who would be laid off and who would be retained by the end of April 1992, and to complete the staff reduction process by June 1992. The Board stressed that as many of existing staff as possible should be retained in filling the remaining positions.[22]

In March 1992, five Peace Corps Volunteers/Cooperative Technical Advisors (PCV/CTAs) arrived at their posts after ten weeks of training. The principal role of the PCV/CTAs was to promote the goals of PRAMS I (including liberalization and restructuring) to farmers, and to provide technical assistance in accounting and management at the primary society level, and to a lesser extent at the unions. The PCVs also had a research role to monitor and gather data on restructuring and reform at the society level. The PCV/CTAs had been requested by the NWCA Board in large part to address their concerns about educating farmers and society officials, concerns raised in the early planning stages of the restructuring effort. The PCVs also filled the need for grass-roots technical assistance that a reform program directed at the society level required.

However, it should be noted that long delays had also been experienced in placing the PCV/CTAs in the field. In project planning their arrival had been anticipated in advance of the 1991/92 campaign. As it was, the five PCVs arrived towards the end of the coffee collection season. Furthermore, it had been anticipated that one PCV/CTA would be posted to each of the 11 union areas. The placing of only five PCV/CTAs mid-way through Year Two limited their effectiveness, since they often had to cover more than one union area in addition to large numbers of societies dispersed over an extensive geographical area.

[22] During the life of the project it was common for NWCA management and the board to approve plans with reservations. This tendency would often create later frustrations, based on misunderstandings over what USAID and NWCA had agreed to.

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Also in March--mid-way during the coffee season--the long-term technical assistance team finally began arriving in Bamenda, though the team would not fully assemble for several weeks. The technical assistance contract was awarded to the Institute of Science and Technology, Inc. (ISTI), a private consulting firm. The team consisted of Institutional Specialist and Chief of Party (ISTI/COP) L. Matt, Processing Specialist T. Marsh, and Financial Specialist C. Raditz. Matt had experience in administering USAID projects in Africa and Haiti and had several years earlier been a PCV/CTA in North West Province. C. Raditz had several years experience in banking and financial management in Africa, and Marsh, experience in the coffee industry in Papua/New Guinea. It should be noted that, at NWCA, the GM appeared surprised at their selection, not because he doubted the qualifications of the team, but because USAID had not consulted NWCA in awarding the contract.

With the 1991/92 coffee season fast disappearing behind them, the TA team would concentrate on preparations for the 1992/93 season, which was expected to be the first season under full liberalization. With the approaching season, and the fact that much of the restructuring effort had been awaiting the arrival of the long-term TA team, ISTI felt a sense of urgency to implement the reform program as quickly as possible.

The preparation of a PIA for Year Two had been deferred until ISTI's arrival, but in fact it would never be prepared. Thus, no formal document spelling out the obligations of NWCA and USAID was signed during Year Two. ISTI did prepare a work plan, however, which was approved by NWCA in June. The 1990/91 internal marketing arrangements remained in effect for the 1991/92 season as well. Despite the agreement, the NIMAs were only partially implemented during the 91/92 season.

The broker and CFRF issues continually resurfaced in Year Two. In late March 1992, the APD for the CFRF was signed by the APCC, USAID, and NWCA. The APD included amendments both to augment the fund to 750 million FCFA and to require NWCA to market its 1991/92 coffee through brokers. However, NWCA continued to resist the idea of marketing by brokers. In April, the GM received a significantly higher price-offer from a trader. With board approval, NWCA sold coffee directly to the trader. This introduced more controversy and further frayed NWCA's relationships with USAID. EAPRI accused NWCA of reneging on an earlier agreement and behaving in a non-transparent fashion. NWCA argued that if it could receive a better price from traders, it should be allowed to do so.

The first (and only) Intra-Annual Review during Year Two was held in Bamenda April 28-29, 1992. The review was conducted by Assessment Leader R. Oakerson and included EAPRI staff, technical assistance (ISTI and Peace Corps), NWCA management and senior staff, and union managers and presidents. The purpose of the meeting was to review progress in implementing reforms to date, outline steps that needed to be taken, identify problems and, if appropriate, make mid-course adjustments in the reform program. Given NWCA's problems in paying farmers for their coffee resulting from its severe cash flow problems, and the frictions that had developed between USAID and NWCA over certain issues, the tone of the review was much changed from that of the Annual Review. Tensions between NWCA and USAID plagued the discussions. NWCA was frustrated by its cash flow problems and by USAID's insistence on brokers and full CFRF replenishment. USAID pointed out that PRAMS I was constrained by shortages of funds stemming from the GRC's non-deposit of local currency. USAID continued to voice frustration with NWCA's slow pace in reducing costs.

The assessment report noted that, while much progress had been made on technical improvements such as union mill refurbishment, the implementation of institutional reforms had barely begun. The review anticipated full implementation of the internal marketing arrangements, with separate internal costs for each cooperative organization and society-level producer pricing, for the 1992/93 season. However, this would require considerable study and analysis at each union and society.

For the purpose of conducting these studies, ISTI brought in a stream of short-term consultants:[23]

- A Management Specialist, whose apex reorganization and staffing study and recommendations echoed those of the earlier short-term report and an ISTI staffing proposal, calling for staff reductions from 58 to 27 employees, developing formal job descriptions and performance-based employee evaluations, managing NWCA departments on a "profit center" (cost recovery) basis, and concentrating activities on marketing coffee. The study was poorly received by NWCA.[24]

- A Marketing Consultant, to help set up the new Marketing Department and train staff. This consultant recommended that USAID relax its insistence on brokers and permit NWCA to sell directly to traders as long as the price they offered was 3% higher than that offered by brokers and each sale was treated independently of another. He proposed a coffee-sales monitoring system to ensure transparency in NWCA's sales. Finally, the consultant criticized certain details in the NIMAs. Marketing coffee on a union-by-union basis and by three quality classes (in addition to standard grades of size and shape) were viewed as too complicated to pursue in the world market. He argued that NWCA should focus its efforts on developing a reputation as a reliable supplier of Fair Average Quality (FAQ) arabica coffee.

- A Financial Consultant, who concluded that NWCA was technically bankrupt. He proposed a three-year crisis management and workout plan for NWCA. This plan contained calls for a drastic reorganization of NWCA, limiting its activities entirely to marketing. Finally, he recommended that NWCA sell coffee immediately to generate much-needed cash. NWCA rejected these conclusions, arguing that it was based on several false assumptions. NWCA's own calculations yielded a more favorable picture of its financial condition.

- A Market Analyst, who assessed existing and potential market competition for NWCA and developed a market strategy. He concluded that, while at the farm level there was significant competition (as evidenced by the activities of trader-farmers), NWCA faced

[23] The GM had questioned both the number of consultants ISTI proposed, as well as their scheduled arrival, since plans were first outlined in the ISTI Work Plan.

[24] However, NWCA did complete a "first phase" reorganization exercise in July, laying off some eighteen staff. USAID provided severance payments. NWCA-employed union managers were also withdrawn, many of whom were reassigned to NWCA and unions assumed responsibility for employing their own managers. It should be noted that the apex reorganization fell short of the targets recommended by short term technical assistants.

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minimal competition at the processing and export level given the financial difficulties experienced by UCCAO. He cautioned that NWCA's "breathing space" from competition would last only three years or so, since traders would enter these markets over time. He urged NWCA to restructure to transform itself into a service-oriented, autonomous, cost-conscious organization.

- An Accounting Specialist, who, although he did not arrive until Year Three, was part of the stream of short-term consultants brought in by ISTI. He would spend nearly six months in NW Province and help to computerize the apex accounting system and draft simplified accounting procedures and forms for use by primary societies. Earlier, two accounting consultants conducted cost studies of unions and societies, respectively. However, additional work was required for completion of the cost studies.

During this period, ISTI and NWCA failed to establish a productive working relationship. The TA team seemed to adopt a no-compromise posture in relation to NWCA, out of a sense of urgency to implement the reform program in a short period of time. By contrast, NWCA was already in a resistance mode, facing down USAID demands for across-the-board salary reductions, only reluctantly conceding the broker issue, and dealing with the frustrations of the CFRF. When ISTI arrived and began pushing NWCA to accept restructuring proposals, NWCA continued to resist. Thus, tensions and frustrations built, and relationships became adversarial in nature.[25]

Much of the conflict stemmed from ISTI's working style and its interpretation of how to implement the reforms. NWCA complained that ISTI's style was isolated, uncollaborative, and heedless of NWCA advice and consultation. NWCA felt that ISTI attempted to by-pass the apex and preach an anti-cooperative, pro-competition message to farmers and lower tiers of the cooperative structure. NWCA also disagreed with the harshness of some of ISTI's proposals on staff reduction, managing all departments on a profit-center basis, and zero-based budgeting procedures and resulting cost reductions. To NWCA, ISTI was trying to redefine the mission of the cooperative structure.

By contrast, ISTI perceived that NWCA was bankrupt and that it was heavy-handed in its relationships with lower tiers. To ISTI, NWCA was resisting all proposals to deal with its precarious financial situation and was unwilling to change its standard operating procedures. ISTI concluded that either NWCA misunderstood the goals and objectives of restructuring or was unwilling to implement

[25] Compounding the situation were differences between ISTI and NWCA over how to deal with a disastrous marketing campaign in 1991/92. World coffee prices fell to record low levels, and a bumper crop of coffee was harvested in NW Province (over 4,400 tons). Meanwhile, due to the extension of NWCA's coffee buying monopoly, NWCA felt obligated to accept all coffee. The cost of collecting and selling coffee within the cooperative structure was 447 FCFA/kg, including internal costs of 197 FCFA/kg and a set producer price of 250 FCFA/kg. The average FOB Douala price for 1991/92 was 272 FCFA/kg, leading to estimated losses of 175 FCFA per kilo of coffee sold. To ISTI, this performance indicated a drastic need to cut costs and narrow the scope of NWCA activities. NWCA would argue that it had cut costs. In light of unfavorable market conditions NWCA thought there was really not much it could do to cope with this unfavorable situation. However, NWCA had delayed selling coffee early in the season when prices were better.

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PRAMS I reforms. In this climate, minor incidents and disagreements between ISTI and NWCA turned into sources of friction. The response was that both sides hardened their positions.[26]

Shortly before and after the arrival of the TA team, there was significant turnover of personnel at USAID/Cameroon. USAID Director J. Johnson left soon after the TA arrived and was replaced by P. Benedict. Previously, two persons instrumental in designing PRAMS, R. Shoemaker and T. Walker, departed Cameroon, although PRAMS I coordinator F. Vézina arrived in August 1991. EAPRI Chief T. Truong left five months after ISTI arrived and was replaced by K. Negash. Also arriving Cameroon was Deputy Mission Director R. Harvey. Although the presence of F. Vézina provided continuity to the restructuring project, it should be noted that the net impact of this personnel turnover was that no major participant from the design phase of the project remained at the mission.

[26] PCV/CTAs were drawn into this adversarial relationship since they worked with both NWCA and ISTI. Thus, frictions developed between Peace Corps and NWCA as well.

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V. THE LONG-AWAITED TRANSITION: THE 1992/93 COFFEE SEASON

Key events in 1992/93:

- Season began with no Year Three PIA. PIA was signed in February--with no NIMAs
- Frictions plague relationships between NWCA and USAID, ISTI, Peace Corps
- USAID adopts new implementation strategy distinguishing between reforms critical to the institutional design, and reforms associated with NWCA's business strategy
- No society-level pricing. NWCA adopts transitional modal pricing system
- Review process resumes in May, after 13 month hiatus.
- Relationships between NWCA, USAID and technical assistance improve markedly
- GRC fails to meet conditions precedent for disbursement of PRAMS I funds
- Training in US for 3 members of NWCA senior staff (GM included)
- Considerable progress in preparing to implement quasi-market design
- Producer price education campaign and internal cost calculations take place
- Cooperative restructuring

A. Background

As the 1992/93 season approached, NWCA and the TA team were unable to agree on a PIA for Year Three or on internal marketing arrangements. Friction continued to dominate their relationships. The key point of contention centered on the introduction of society-level producer pricing. NWCA maintained that, given incomplete society and union level cost studies, it was premature to introduce the pricing system without further preparation. The CFRF also continued to be a source of disagreement between NWCA and USAID.

NWCA proposed a transitional pricing system. Based on analysis of available cost studies, NWCA established a "modal cost" purported to represent a cost-effective level (FCFA per kg) of operating a representative union and society. In turn, this modal cost became the internal cost per kilo that all societies and unions would receive from coffee revenues to pay for their operations. Thus, individual societies and unions would have to compare their actual costs to the modal cost they would receive and adjust their budgets accordingly. Unions or societies above the modal price would have to cut their costs to reach that level or would operate at a loss. Societies and unions below the modal cost would be able to distribute the surplus.

The CFRF disagreement revolved around the issue of commercialization. Although the APCC had agreed to augment the fund to 750 million FCFA, it also agreed that the fund should be commercialized and managed by a bank. NWCA resisted this notion, arguing that the MOU gave the apex responsibility for crop financing. Over the course of the year, NWCA grudgingly accepted the notion of commercialization, but resisted the idea of paying commercial interest rates.

No intra-annual or annual review was held as planned in Year Three. Instead, R. Oakerson, the Assessment Leader, came to Cameroon on a short-term consultancy to sort out the differences between ISTI and NWCA surrounding the PIA and internal marketing arrangements, and recommend a course of action to the Mission. Oakerson made the following recommendations:

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- Implementation of society-level producer pricing based on the unique internal costs of each cooperative. This was a key institutional parameter in the agreement between USAID and NWCA. However, the specific allocation of internal cost components was a discretionary matter that should be decided by mutual agreement within the cooperative structure.

- Commercialization of the CFRF and management of the fund by a fiduciary bank. Rules of access to the fund should be designed so that use of the fund reinforced society level pricing. He underscored that it was critical to decide on a commercialization option that would ensure that adequate crop financing was available prior to the start of the coffee campaign.

- USAID should drop its requirement that NWCA market its coffee through brokers and let NWCA decide on its own marketing strategy.

- USAID should not try to determine NWCA's internal pricing policies by insisting that certain activities be run as "profit centers." How to allocate costs between basic services demanded and paid by all cooperative units and those optional services to be paid on a per-use basis was a decision to be made within the cooperative structure. The TA team's role was to provide advice, but not to insist on particular profit centers.

- Both losses and surpluses should be distributed throughout the structure in proportion to the level of their internal costs. Assigning liability for losses to the apex would require that the apex maintain all reserves at that level, and create incentives to underestimate the world price of coffee in order to minimize the risk of losses, thus undermining society-level pricing.

- USAID should not insist on union-by-union marketing of coffee if this was not feasible in the world market. Coffee should, however, be tracked internally by union to control coffee quality. Oakerson also recommended that coffee not be marketed by quality class if it was too complicated to do so. However, the acceptance procedure of sorting coffee into classes of parchment should be maintained to provide information and incentives for farmers to improve and maintain coffee quality.

Oakerson stressed the importance of clearly distinguishing the institutional reforms sought by PRAMS I from NWCA's operational choices related to business practice and strategy. The latter were choices that should be left to NWCA's discretion.

Lengthy negotiations followed between the parties, and the PIA for Year Three (absent internal marketing arrangements) was forthcoming in February 1993. The PIA focused only on progress toward key end-of-project goals. It included the following points:

- NWCA and ISTI would develop a joint action plan for the strengthening the marketing department.

- NWCA and ISTI would develop a detailed joint action plan for disseminating the new cooperative law.

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- NWCA and ISTI would develop a joint work plan to achieve the transition from modal pricing to society-level pricing. This would require an education campaign to provide society managers and farmers with the needed skills and knowledge.

- The CFRF would be commercialized and managed by a fiduciary bank for the 1992/93 marketing season. NWCA and ISTI would jointly define the terms of access and the conditions to manage the fund.

- The NWCA apex, unions, and societies would bring their financial accounts to current condition. Cooperatives found to be in a state of technical bankruptcy would adopt a plan for meeting their financial obligations. Finally, NWCA departments would develop plans to reorganize using cost-recovery principles.

- Technical assistance would deliver both long-term and short-term technical assistance to all cooperatives in accordance with the goals and objectives of PRAMS I. Jointly defined workplans would delineate the specific responsibilities of TA and NWCA.

Thus, the transitional year that was initially expected in 1990/91, and failed to materialize in 1991/92, would finally occur in the 1992/93 season--the third year of a four-year program. Full implementation of the reforms would not occur until the final year of PRAMS I. However, the absence of internal marketing arrangements was a critical missing element in the transition. In particular, this omission led to a loss of focus on the issue of coffee quality.

At the same time, NWCA successfully obtained crop financing from the European Development Fund (EDF) in the form of an 500 million FCFA interest-free loan. Although the possibility of NWCA receiving this money had been discussed for some time, the timing of the action took the mission by surprise and caused great concern. USAID feared that the EDF money would undermine its leverage in using the commercialized CFRF to encourage NWCA to reform. For its part, NWCA viewed the EDF as salvaging the 1992/93 coffee season by providing crop financing. NWCA continued to disagree with USAID over how to constitute the CFRF and over the terms of its use. As a result, the CFRF was never used in 1992/93.

Progress in implementing reform and the Year Three PIA was assessed at an intra-annual review in May 1993.[27] The progress reported in restructuring included these steps:

- The transitional modal pricing system had lowered the internal costs within the structure (including port charges and internal costs for the apex, unions and societies) to 150 FCFA/kg in 1992/93 from 197 FCFA/kg in 1991/92.

- Union and society restructuring supported by PRAMS I funds had resulted in significant staff reductions. In the case of unions, half of the total staff had been laid off.

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[27] The review also served a major role in resolving lingering tensions between NWCA, USAID, ISTI and PCV/CTAs.

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- NWCA, ISTI, and Peace Corps had made significant progress in developing and implementing improved and simplified, society and union accounting procedures.

Progress in preparing the joint action plans required by the PIA was less encouraging. Although the Marketing Department Action Plan had been approved, the other action plans were still in varying stages of development. A draft action plan had been developed for cooperative law dissemination. NWCA demonstrated progress in developing plans to operate departments on a cost-recovery basis. However, no society-level pricing education action plan had been developed. The CFRF continued as a source of disagreement. NWCA continued to object to commercial interest rates, claiming they would be suicidal,[28] and argued that it should manage the fund. Otherwise, NWCA argued that the funds should be reprogrammed for other uses. USAID warned that if the fund were reprogrammed, it could offer no assurance that NWCA would be the beneficiary.

One item to note is that the GRC was two years late in fulfilling the conditions precedent to further disbursement of PRAMS I funds. As a result, available local currency for restructuring activities was limited, constraining USAID's ability to program funds.

The May meeting marked a turning point in the restructuring effort.[29] NWCA and technical assistance emerged with common goals and an understanding of the urgent steps that needed to be taken to prepare for the 1993/94 coffee season. Shortly after the May review, USAID sponsored a training seminar in agribusiness for three NWCA staff members in the U.S. at Santa Clara University. The NWCA participants were the GM, Assistant GM P. Ngabir, and Chief of Finance and Accounting A. Chenyi. Also included in the training was a three-day workshop to reinforce PRAMs I goals and objectives at the Workshop in Political Theory and Policy Analysis, Indiana University, led by R. Oakerson.

By the time of the intra-annual review in September, considerable progress had been made on all fronts. The tone of the review was optimistic. One by one, the lingering disagreements between NWCA, USAID, and technical assistance were discussed and resolved. The focus was now on implementing the institutional design. The progress in restructuring and improving performance was as follows:

- The Marketing Department reported that it had sold most of its 1992/93 arabica coffee at a good average price relative to the average world price. As a result, NWCA had paid farmers bonuses of 20 FCFA/kg. However, NWCA was experiencing problems with quality claims from buyers against its coffee. It was also reported that NWCA had experienced problems with the GRC in its attempts to market robusta coffee--the marketing of which was still controlled by the government.

[28] Whereas NWCA insisted interest rates would be at 23%, technical assistance and the NWCA accountant argued that if operated as a Guarantee Fund, interest rates would likely be in the 16-18% range.

[29] Other factors were also at play. A series of meetings between ISTI, NWCA and USAID had resolved many differences. The call for joint action plans in the PIA had fostered development of closer working relationships between ISTI and NWCA senior staff. Finally, an evaluation of EDF development assistance in North West Province--which included support for NWCA--threw future EDF assistance (which had long been promised) in doubt.

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- The Finance and Accounting Department vowed to adopt procedures that would lead to greater transparency.

- The Engineering Department had developed plans to improve union mill operating efficiency.

- Local currency constraints continued to hamper activities since the GRC had yet to satisfy conditions precedent to further disbursement of PRAMS I funds.

Progress in implementing the action plans required by the PIA was as follows:

- The action plan for a program of education for society-level producer pricing had been approved by the board and would proceed without delay.[30] Acceptance of the principle of society-level pricing was an important milestone in implementing the institutional design.

- Although the cooperative law dissemination program was ready for implementation, uncertainty about funding clouded its future. A desire to move forward on cooperative restructuring, especially at the society level, was growing.

- A long-standing disagreement between USAID and NWCA about the meaning of the clause in the MOU to "expand the Internal Audit Service" was resolved. NWCA had argued that this clause referred to supporting additional staff, a concept USAID repeatedly rejected. NWCA accepted the Assessment Leader's argument that this clause referred to efficiently expanding the scope and quality of NWCA's internal audit services, not necessarily supporting a larger staff.

- ISTI and NWCA had completed a number of feasibility studies called for by the PIA. The idea of building centralized washing stations was rejected. Instead, a plan to supply farmers with new handpulpers and tarpaulins to improve the quality of farm-level coffee processing was proposed. USAID supported the plan.

- Internal marketing arrangements would be negotiated and established to guide the 1993/94 season. One issue that remained to be decided was the distribution of the surplus from coffee sales.

- Disagreements continued between USAID and NWCA about the constitution and conditions of access to the CFRF.

What remained was to carry out the education programs on producer pricing and cooperative law dissemination and to prepare internal marketing arrangements for the coming season.

[30] While approving the education campaign, the NWCA Board expressed a reluctance to embrace the notion of society level pricing, expressing a desire to determine a single, Province-wide first payment and to vary second payments only--which was not the intent of the project design. During the review, the Board committed to society-level pricing and accepted the notion of producer price variation at the society level.

The producer pricing education campaign occurred in October. The reform message was forcefully delivered in pidgin by members of the NWCA senior staff, P. Ngabir and C. Mbah. Farmers were generally inquisitive and enthusiastic. The topics discussed during the series of workshops included the following:

- The meaning and implications of a "free market."
- A discussion of the Arabica Marketing Information System (AMIS) and the meaning of the FOB Douala price.
- A detailed description of costs incurred in marketing coffee (including port charges) and why farmers don't receive the FOB Douala price.
- A detailed description of how society-level pricing would operate and the importance that the cooperative structure be cost-conscious.
- The implications of price competition both within the cooperative structure and with private traders.
- The importance of societies serving farmers well and addressing their needs.
- The critical importance of coffee quality, improving primary processing at the farm level, and rigidly enforcing parchment acceptance procedures.
- The concepts of transparency and accountability, and their importance.

A follow up education campaign was conducted in December to explain the NIMAs, reinforce the society-level producer pricing message, and reiterate the importance of coffee quality. These workshops were also enthusiastically received by farmers.

B. Cooperative Restructuring

Although the planned cooperative law dissemination campaign within the cooperative structure would only be partially implemented--and even then only after cooperative restructuring was largely complete--the restructuring took place anyway in October-December. Many farmers and societies were anxious to reorganize and register their cooperatives, as required by the cooperative law, prior to February 14, 1994. Thus, preparations for the 1993/94 season would take place in the midst of restructuring activities. Although unions appealed for NWCA to schedule and organize cooperative restructuring, NWCA followed the letter of the law and served in an advisory capacity only. At the union level the degree of union domination over society level restructuring varied, but reports from the field indicate that most unions facilitated, but did not direct, the process.

During restructuring, the number of societies increased from 40 to 73. In almost every case, the sections previously amalgamated into a single society in 1986 now split from their societies. The pattern of society restructuring varied across the province, reflecting local diversity. Society restructuring was greatest in the union areas of Nso (from 6 to 14 societies), Oku/Noni (from 3 to 13), Kom (from 5 to 11)[31], Mbengwi (from 3 to 7), and Moghamo (from 3 to 8). The number of societies in the Nkambe area increased from 5 to 7.

No restructuring took place in the Santa, Pinyin, Ndop, Central, and Bali union areas, for reasons that are not clear. In Santa and Ndop, union management encouraged farmers not to split their societies. In Bali, attempts by one group of farmers to affiliate with the union as a common initiative group--a less formal type of organization--were rejected by the union's board of directors. One Pinyin society badly mismanaged in the past may subdivide into six societies in the future. More generally, two underlying factors seem to account for the variation in restructuring around the province: a) coffee is no longer the primary cash crop in many areas, and b) farmers are less politically active in some areas of NW Province than others.

Moghamo union is located in Momo Division, an area where local affairs are typically dominated by local politicians turned businessmen. The union president determined the number of societies that would be formed and scheduled the general assembly meetings that were to "approve" his restructuring proposal. Although societies did reorganize according to the union's plan, the president was defeated during union elections. The restructuring in Moghamo reflects a trend that occurred in isolated cases throughout NW Province. That is, a politically oriented individual seeking benefits or "big man" status from cooperatives played upon the farmers' village-level sentiments to promote society subdivisions for personal gain.

Mbengwi union is also an interesting case in restructuring, revealing another trend. Prior to restructuring, two of its low-tonnage/high-cost societies had a history of financial mismanagement. These two societies subdivided into five. The remaining society was well-managed. Despite a membership composed of different ethnic groups, this society did not subdivide during amalgamation. Generally, mismanaged societies were split during restructuring, that is, villages chose to exit from poorly managed societies.

In Oku/Noni, Nso, and Kom the population is relatively homogeneous and coffee remains the primary cash crop. Inter-village rivalries are common--the village forming the primary unit of social organization. Traditionally, farmers in these areas marketed their coffee through village-level societies. These areas were also where past amalgamations hit hardest. For example, Nso union (from which Oku/Noni and Nkambe Unions were split off in the 1970s) had 78 affiliated societies in 1972 and 18 affiliated societies prior to amalgamation in 1986. Kom Union had 76 affiliated societies in 1971. Oku/Noni in fact reverted to the same number of societies that existed before the 1986 amalgamations.

The primary motivation underlying restructuring in Kom, Nso, and Oku/Noni was a desire by farmers to reestablish village-level societies. In fact, after amalgamation in 1986, several sections in the Kom and Nso areas refused to deliver their coffee to the amalgamated society, preferring at first to sell coffee to traders and then, directly to the union as "union intervention zones." Intervention zones functioned in many cases as "informal societies."

[31] Several other farmer's groups have formed in the Kom area and are marketing their coffee with the union as non-members. Kom Union, the highest tonnage union in NW Province, set a 40-ton limit for societies to affiliate with it.

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In asking why so many new societies were formed in these areas, the response from cooperative officials in the "new" societies was that farmers wanted cooperatives that were more accountable to members. They wanted more voice in the affairs of the cooperative and better service. Farmers had no choice but to accept amalgamation in 1986. While before amalgamation one village or a group of neighboring villages formed a society, after amalgamation several dispersed villages with little contact with each other were forced to act and take decisions together. The former village-level society became one of several sections belonging to a single society. A section's voice in general assembly and board meetings was only one of several voices. Amalgamation had created an environment in which the demands and needs of a small group were drowned out by the larger group. Furthermore, the headquarters of the amalgamated societies were often distant from an individual section or village. Farmers would trek to the society office to deliver their produce or resolve a question, only to find that the manager was away conducting society business elsewhere. Farmers in many sections felt they had no control over the conduct of society officials, creating suspicions and allegations that some sections were being treated better than others. At the same time, society managers were often overextended, having to travel to different sections to collect coffee or pay farmers.

Thus, much of the society-level restructuring was driven by an attempt by farmers to address collective-action problems and create cooperatives that were more responsive to their needs. This lends support to the premise underlying the institutional design that smaller societies are more likely to effectively deal with collective-action problems than larger societies. An event from the general assembly meeting to form the new Meluf society in Nso union illustrates the point. Farmers in Meluf section of Kimbo society disliked amalgamation and refused to deliver coffee to the society for many years, and eventually became a union intervention zone.[32] Heated discussions arose about who had the right to vote in the reorganizing elections. It was decided that only farmers known to have paid shares (records were incomplete) or who had delivered coffee during the past two years were eligible to vote. In open forum farmers who were not eligible to vote were asked to leave the room. A group of 15-20 farmers immediately got up and left, knowing that many eligible voters were aware of their past behavior. Face-to-face relationships can facilitate collective action in small groups.

Finally, two splits were driven by purely economic reasons. Mbaw-Rom society in Nkambe split into two societies, one handling arabica coffee and the other robusta coffee. Evidently, arabica coffee activities were subsidizing robusta farmers prior to restructuring. What is now Menka society had been a section of Widikum society of Moghamo union. Remote and served by very bad roads, Menka section had been required to transport its produce (if in fact it decided to do so at all) to Widikum society by travelling a circuitous route that actually passed Mbengwi union. Menka society was the only society to change union affiliation during the restructuring.

Cooperative elections were also held during restructuring, and new articles of association were approved. It appears that the passage of new articles of association were something of a formality with minimal discussion. The model for the new articles appears to have been a copy of the cooperative association by-laws written in 1958.

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[32] In fact, Meluf intervention zone outproduced Kimbo society in 1991/92.

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e elections produced several changes in general assemblies and boards of directors throughout the cooperative structure. Although at the society level much of the change in representation was accomplished by subdividing, in societies with a history of mismanagement wholesale changes were made. At the union level, five of the eleven presidents were replaced. Seven of the thirteen members of the NWCA Board were replaced--although the death of an incumbent forced one change. C. Berinyuy, the incumbent president of NWCA from Nso union was defeated by newly elected Kom President E. Ndi by a margin of 31-29. Although the pattern varies, more authoritarian cooperative officials were generally defeated during the elections and replaced by less authoritarian farmer representatives. Political allegiance also played a role in the election results.

The November intra-annual review (held in lieu of an annual review) was conducted in the midst of all this activity. The Assessment Leader, concerned about how the structure was planning to account for the transfer of coffee from level to level, was accompanied by an accounting specialist. The accountant voiced concern over the heavy reliance on per-kilo charges to farmers, arguing that this system distorted incentives and acted as a tax on production. He urged greater use of membership fees to finance cooperative activities.

Progress in establishing the CFRF--now viewed as a guarantee fund--was reported. NWCA announced it had dropped its demands for subsidized interest rates. Rather, it was hoped that by devising strict financial reporting and control procedures, interest charges could be lowered. However, much work was required by NWCA and the TA team to make the fund operational prior to the impending 1993/94. As an interim measure, NWCA arranged bank loans for crop pre-financing, assuring that the 1993/94 coffee campaign would begin with funds available for cooperatives to purchase coffee.

The results of the 1992/93 season were reported at the review. NWCA's marketing performance was encouraging. This contrasted sharply with NWCA's marketing performance during the first two years of PRAMS I, during which time tensions developed between USAID and NWCA over the slow pace of coffee sales in light of declining world coffee prices. NWCA incurred heavy losses during both of those campaigns. In 1992/93 all stocks of NWCA coffee were sold during the season--including old and new stocks and stocks of unwashed arabica. Coffee was marketed both directly to traders and through coffee brokers.

In 1992/93 NWCA sold 2,010 tons of arabica coffee at an average price of 385.7 FCFA/kg--a better price than the average world price for the season. Given that NWCA purchased coffee for 200 FCFA/kg and the internal cost estimate for the cooperative structure was 150 FCFA/kg, NWCA realized a surplus of 35 FCFA/kg. However, coffee sales late in the season were plagued by rejections from foreign buyers for poor quality. These quality claims concerned some 1189 bags of coffee (nearly 690 tons). As a result, the contracted price for certain lots of coffee had to be renegotiated or indemnities paid by the responsible unions. Thus, the final average sales price received by NWCA was 380.5 FCFA/kg.

On the basis of this performance, NWCA paid farmers a 20 FCFA/kg bonus in late August. A further 10.5 FCFA/kg (pre-devaluation) was paid in February 1994 after quality claims were settled. Although the initial bonus was paid directly to farmers, the second payment was divided between tiers of the structure. The care farmers gave to their coffee trees improved noticeably throughout the province after the bonuses were paid.

The quality claims against NWCA's coffee contained a hidden benefit. Concerns about the consistency of the quality of NWCA's refocused attention on improving the quality of coffee produced at the farm-level and highlighted the need to enforce the parchment acceptance procedures.

Finally, in November 1993, AID/Washington announced plans to close the Mission in Cameroon. This decision would affect the restructuring effort, but not compromise the reforms in any fundamental respect. First, the end of project date was moved forward from September 30 to June 30, 1994. This in turn would require that the time available to complete pending assistance activities was compressed. Secondly, as USAID/Cameroon developed closure plans, local currency funds from other projects--EAPRI projects in particular--became available for use under PRAMS I. Since there was little hope that the GRC would satisfy conditions precedent to the third and fourth dollar disbursements of PRAMS I, this decision freed funds for the mission to meet its remaining obligations to NWCA as agreed in the Memorandum of Understanding.

VI. REFORM IN BLOOM: THE 1993/94 SEASON

> Key events in 1993/94:
>
> - Full implementation of quasi-market design
> - Devaluation of the Franc CFA confuses society-level pricing
> - Season begins with new NWCA Board and President

After a very busy period of implementing institutional reforms in preparation for the upcoming coffee season, the 1993/94 coffee season began with the quasi-market design fully in place. Society level restructuring was nearly complete, new by-laws and articles of association had been approved, and cooperative elections at all levels of the structure had led to significant changes on the boards of directors of several societies and unions and at the apex. Although difficulties continued to beset plans to set up the CFRF/Guarantee Fund, NWCA had arranged for loans from local banks to ensure crop financing would be available to pay farmers for their coffee at the outset of the season. Finally, preparations had been made to implement society-level producer pricing.

A key component of society-level pricing was for each cooperative organization within the structure to prepare internal cost estimates (the schedule of internal prices for cooperative services). The preparation of unique internal costs had been delayed throughout the first three years of the project. During the first two years of the project, average internal costs were determined for each level of the cooperative structure. Although budgeting procedures were introduced to determine the unique internal cost of each cooperative organization in preparing for the transitional 1992/93 season, costs studies were incomplete by the beginning of the season, and a transitional pricing system was implemented based on modal internal costs for each level. Thus, in each of the first three seasons of PRAMS I, cooperative organizations within a given tier were paid a common internal cost, and society-level pricing could not be implemented.

The budgeting process to determine the unique internal costs of each cooperative organization in the structure began in September/October 1993, after a series of society-level workshops to bring books up to date and explain the procedures. Determining the internal cost of cooperatives began with an estimation of the size of coffee tonnage each cooperative organization would handle, since internal costs would be calculated on a per-kilo basis. The need for realistic crop estimates, based primarily on observation and interviews, was emphasized in workshops. An estimate that was too high would mean that a cooperative could not cover its calculated per-kilo costs and would lose money. An estimate that was too low would lower the producer price offered by societies to farmers. In general, it appears that crop estimation procedures were faithfully implemented, although isolated cases appeared in which unions altered the estimates of societies or inflated their own tonnage estimates.

Another key feature of the budgeting process was to compare cost components between seasons, a process that would give boards and general assemblies within the structure a chance to make informed decisions about where to cut costs. Although the degree to which budgets reflected actual cost figures varied across cooperatives, most budgets were approved well before the season began.

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Unfortunately, a number of situations arose that required budgets to be revised several times--particularly at societies and unions--before society-level pricing could be implemented:

- Interest charges were calculated and included in budgets after commercial loans to secure crop prefinancing were secured by NWCA.

- During restructuring, the composition of many general assemblies and boards changed significantly. Many budgets had to be redrafted and approved to reflect the demands of these newly elected officials.

- A 50% devaluation of the CFA Franc in January 1994 required a revision of internal cost estimates. Unfortunately these revised cost estimates would take time to complete.[33]

With each budget revision, some uncertainty would arise about the degree of transparency in which recalculations were conducted and the degree to which resulting internal cost estimates reflected the internal costs approved by general assemblies--the bodies in which farmers are best represented within the cooperative structure.

Internal per-kilo costs were calculated for the NWCA apex on the basis of an estimated 3,000 tons of arabica. The same was done at each cooperative union and primary society using their crop estimates. The NWCA apex figure includes port charges and coffee transportation to Douala and an estimate of marketing costs and the costs of other services offered by the apex. The estimated internal cost for the apex prior to devaluation was 55 FCFA/kg. Port and transportation costs had been reduced from 48 to 32 FCFA/kg. These savings were largely the result of a study conducted by the NWCA Marketing Department and ISTI, which discovered that NWCA had been incurring high transaction costs by paying several unnecessary charges. The NWCA's internal cost estimate less port charges was 23 FCFA/kg--the same figure that had been calculated the previous year on a higher crop estimate. The NWCA internal cost was approved by the General Assembly with the understanding that it was still too high and would be lowered to about 18-19 FCFA/kg.[34]

At the union level, internal cost estimates were revised several times. Estimated tonnages and internal cost figures for both November and late December 1993 are shown in Table 1. The table shows that during re-budgeting the internal cost estimates of unions tended to converge. Pinyin revised its internal cost figure after it learned that its initial estimate was far higher than other unions. The revised December internal cost estimate reflects a revised tonnage estimate, increased from 48 to 75 tons. Worried about its viability, Pinyin has actively sought to attain this higher tonnage by purchasing coffee from West Province. Nkambe's estimated tonnage does not include estimates from two of its affiliated societies, and the November cost did not include interest charges. The accuracy of Nkambe's reporting--and internal cost--may be doubtful since the December cost figure includes interest charges but is based on an estimated 301 tons. The observed changes in the internal costs

[33] As of the writing of this paper in March 1994, unions and societies had yet to complete their revisions of internal costs. This was creating confusion among farmers over the producer price they were supposed to receive.

[34] Although the NWCA Board later approved a plan of cost reductions and staff layoffs to achieve this target level, but the plan has yet to be implemented.

between November and December in part reflect the inclusion of interest charges or depreciation charges. Ndop Union decided to increase its cost estimate by 2 FCFA/kg to build its reserves. The 5 FCFA/kg increase in Kom's estimated internal cost reflects a decision by the new board of directors to increase its allowances and benefits.

The accuracy of these calculations in some union areas is doubtful. It appears that after unions first learned of the November estimated internal costs, many used 70 FCFA/kg as a reference price, one that they should try to meet during budget revisions. In the final December figures, 6 of 11 unions estimated their internal costs at 70 FCFA/kg, and another at 69 FCFA/kg. The similarity of these internal cost figures is surprising since the estimated tonnage ranges from 60 to 479 tons among these unions. In addition, transportation costs do not seem to be reflected in the internal cost estimates. Santa Union is near Bamenda and is located along a good road. By contrast, Nkambe Union is remote and is located along a bad dirt road. Despite comparable tonnage, the internal costs are the same.

Another striking feature of Table 1 is that the largest unions (Kom, Nso, Oku/Noni, Santa and Nkambe) tend to have comparable or even higher costs than smaller unions (Bali, Mbengwi, Pinyin, Bamenda Central and Moghamo). Although the reliability of certain individual union cost estimates may be doubtful, this result is surprising. Apparently smaller unions took cost reduction more seriously than larger unions.

The increase in the number of societies precluding a detailed analysis of society costs. The internal cost estimates for societies range from a low of 9 FCFA/kg to a high of 37 FCFA/kg. The lowest internal costs are found in the Santa and Ndop areas, where unions provide transportation for societies to evacuate their coffee. The highest internal cost figures occur in remote societies in the Nkambe area. Most society costs fall in the 13-18 FCFA/kg range (53%), with most of those concentrated in the 13-15 FCFA/kg range. The internal costs of societies in small tonnage union areas such as Moghamo and Mbengwi tend to be higher than the average. Dispersed, low-tonnage societies incur high transportation costs in evacuating coffee over bad roads.

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Table 1: A Comparison of Estimated Union Internal Costs between November and December 1993

Union Area	Estimated Tonnage	November Internal Cost (FCFA per kilo)	December Internal Cost (FCFA per kilo)
Bali	48	65	66
Bamenda Central	99	65	64
Kom	937	60	65
Mbengwi	60	60	70
Moghamo	106	60	60
Ndop	260	68	70
Nkambe	201	70	70
Nso	476	62	69
Oku/Noni	375	60	70
Pinyin	48	126	70
Santa	298	70	70

* Note: The internal cost figures are given in pre-devalued FCFA.

In general, it appears that the internal costs of societies tend to vary in relation to transportation costs. However, the internal costs of 30 societies in the Kom, Mbengwi, Moghamo, Pinyin, and Ndop areas exhibit little variation. This suggests that either societies colluded in determining their prices or that unions dominated the budget process. Indications are that the latter is true. For example, reports from Oku/Noni indicate that union officials called budget meetings and told societies what per-kilo costs they should achieve--although they did make allowances for location. Mbengwi Union set a limit of 25 FCFA/kg that all societies should not exceed. In Kom Union, 10 of 11 societies have the same costs despite varying tonnages.[35]

PCV/CTAs report that most societies took cost cutting very seriously and have reduced their costs about as much as possible. This has entailed drastic reductions in managers' salaries, foregoing allowances, and reducing costs in all categories.

The internal costs formed the basis for determining producer prices at the society level. The results are shown in post-devaluation figures in Table 2. At first, NWCA estimated a conservative FOB Douala price for arabica coffee of 365 FCFA/kg. However, after receiving significantly higher prices (range: 460-500 FCFA/kg) from forward sales, and learning that UCCAO was estimating a FOB

[35] In fact, in at least one case internal costs that had been approved at 20 FCFA/kg was reported as 15 FCFA/kg.

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price of 451 FCFA/kg, NWCA revised its estimated FOB price upward to 400 FCFA/kg. The apex internal costs of 55 FCFA/kg were subtracted from the estimated FOB price, leaving a price figure of 345 FCFA/kg to be forwarded to unions. Each union then subtracted its internal costs from this figure and communicated the balance to its affiliated societies. The producer price was determined by each society after deducting its own internal cost. Thus, the producer prices announced by societies varied to the degree that the internal costs of societies and the affiliated unions varied.

Thus, for the first time since PRAMS I began, the marketing season opened with crop pre-financing available and society-level pricing in effect. Early in the coffee season, the results were encouraging. Societies reported that farmers were marketing most of their coffee through cooperatives. Traders were collecting only poor Class III coffee, and trader-farmers within societies were purchasing only small quantities of coffee from very small-scale farmers. Unions in areas bordering West Province reported success in buying coffee from farmers across the border. Mill operators reported that they had never seen so much coffee delivered to cooperatives so early in the season.

The pricing mechanism was thrown into confusion on January 12, 1994 with the 50% devaluation of the CFA franc. NWCA sells its coffee in French francs; so the price received for coffee from world buyers doubled overnight. However, domestic costs--particularly of non-tradable goods--would not be expected to double. Thus, internal cost estimates had to be revised at all levels of the cooperative structure. Compounding the situation was that farmers had already delivered and received payment for their coffee delivered to the cooperative structure. Although the immediate impact was confusion about the producer price at the farm-level, the long-term in part will be to encourage arabica production.

The devaluation also doubled the amount of crop financing needed to purchase the coffee crop remaining to be bought. Financing needs had been determined on the basis of the estimated tonnage and pre-devalued FOB Douala price estimate for arabica coffee. More funds were not forthcoming given the liquidity problems experienced at local banks. Complicating matters was that difficulties still shrouded the CFRF/Guarantee Fund, meaning this source of pre-financing was not available.

It was several weeks before NWCA doubled society-level producer prices. NWCA did so with the caveat that the actual price was likely to be much higher once the apex, unions, and societies completed the recalculation of their costs in the wake of devaluation. At this writing, the process was not completed. However, at the enlarged intra-annual review in March 1994, NWCA announced that it intended to increase its estimated FOB Douala price to 875 FCFA per kilo given its sales performance to date and to revise the apex/port internal cost upward to about 78 FCFA/kg. It was anticipated that a rough estimate of total internal costs for the cooperative structure would approach 200 FCFA/kg. Given this revision, and anticipating sales performance better than the conservatively estimated FOB Douala price, farmers in NW Province could expect second payments in the range of 200 FCFA/kg.

Establishing the CFRF/Guarantee Fund continued to prove difficult. At the March intra-annual review it was announced that local participating banks had been unable to work out agreeable relationships with the fiduciary bank selected to manage the guarantee fund. The banks requested that the fiduciary bank deposit part of the guarantee fund in participating banks, a request that was not authorized by the guarantee fund agreement between USAID and the APCC. At this writing, the disagreement has yet to be resolved. On a positive note, some commercial banks expressed a willingness to supply NWCA credit on favorable terms, with or without the guarantee fund.

VII. CONCLUSIONS

A. The Implementation Problem

The central implementation problem in the cooperative restructuring component of PRAMS I was how to introduce a quasi-market institutional design in the context of a cooperative structure that was accustomed to top-down management, driven by incentives to inflate costs, tied to the government through the employment of civil servants, and often used as a source of economic rent by local "big men." Compounding the problem was the fact that these same "big men" were often the people through whom the design had to be implemented.

Introducing a quasi-market design in this context inherently met with resistance and disagreement, which had to be overcome. The resistance had a variety of sources. First, the institutional design did not actively conform to the existing image of a cooperative in the NW. The design proposed transforming NWCA from a top-down to a bottom-up structure, in which farmers through their societies played a major role in decision-making and the upper tiers of the structure served rather than directed lower tiers. Second, the design differed from the normative ideal of cooperative organization shared by people in NW Province.[36] This traditional ideal is best summed up by the NWCA motto "each for all and all for each." By contrast, the quasi-market design introduced inter-cooperative competition within the cooperative structure based on variable prices and costs, in addition to private sector competition in the liberalized arabica coffee market. Third, the quasi-market design required that stakeholders in the old cooperative system give up vested interests out of a conviction that adopting the design was in their long-term best interests.

Thus, dialogue about ideas, goals, and objectives was a critical first step in introducing the design. Prior to its introduction, the design first had to be well-understood and accepted. In retrospect, it appears that not enough dialogue was built into the design phase of the project, nor did sufficient dialogue take place during the earlier stages of implementation. Although USAID made several presentations to the NWCA management and Board of Directors to discuss the design, the board approved of cooperative restructuring only with reservations. From the beginning, the board stressed the need for education of cooperative officials and farmers to prepare them for institutional reforms. Secondly, the board expressed an apprehension that the design gave farmers too much freedom and power. The board feared that the empowerment of farmers together with society-level pricing would produce "chaos" in the cooperative structure. Apparently, USAID and short-term technical assistance did not take the board's reservations adequately into account, perhaps interpreting them as resistance to change and indicative of a paternalistic attitude toward farmers. However, reading between the lines of what the board was saying, the board in fact was apprehensive about the quasi-market features of the design. What the board was saying should have been a warning sign that it had not fully embraced the basic concepts of reform and that more dialogue was needed.

Instead, the board approved the reforms despite its reservations and USAID took the approval at face-value. Indications are that the board approved USAID's offer of assistance, not necessarily the full package of reforms. At the time PRAMS I began in 1990, NWCA was a fragile, nearly bankrupt

[36] It should be noted that NW Province had a history of farmer-initiated cooperative development. After independence, these cooperatives were gradually brought under greater state control and supervision.

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organization whose survival was in doubt. It would be difficult not to approve a program of donor-assisted restructuring and strengthening.

Further dialogue on the ideas underpinning the reforms did not occur until the Annual Review in December 1991--one year into PRAMS I. For many in the cooperative structure, particularly at the grass-roots level, the review was the their first exposure to the institutional design and the concept of liberalization. It is difficult to assess to what degree society-level participants could absorb or understand the four days of intensive dialogue at the review. Furthermore, such a large gathering was not the type of forum in which key people within the NWCA structure could be engaged in intensive dialogue. Further dialogue occurred when the ISTI team arrived and conducted an orientation workshop, as well as during the intra-annual review in April 1992. However, differences over specific implementation problems tended to drive out the discussion of basic ideas and concepts. The next occasion for intensive dialogue was the Indiana seminar for three NWCA staff members in the summer of 1993. Thus, the restructuring reforms were introduced into an environment in which the ideas of liberalization and competition were not fully understood or accepted within the cooperative structure.

Several other sources of difficulty and delay were encountered in implementing the restructuring project:

- Originally PRAMS I did not include a cooperative restructuring component. CDC proposed a complementary project to strengthen NWCA. Over time, philosophical differences developed between USAID and CDC that could not be resolved.[37] Thus, USAID somewhat belatedly committed itself to assist NWCA in restructuring. The timing of this decision was problematic. In addition to gaining approval of the PRAMS I policy reforms, USAID had to plan the restructuring project between July 1990 and the eventual signing of the PRAMS I Grant Agreement in August 1990. This left little time to prepare for the 1990/91 coffee season. EAPRI staff was overextended. Short-term consultants were used to begin the implementation process. Many of the details of implementation were tabled until the arrival of long-term technical assistance.

- From the beginning, USAID ran behind schedule in the provision of technical assistance. This made it difficult to stay on the restructuring schedule under the best of circumstances. In the early stages of project implementation, USAID relied on short-term consultants who had only limited opportunities to visit the field. During the design phase of the restructuring component, it was anticipated that long-term technical assistance would be placed in the field in time to prepare for the 1991/92 coffee season, the intended transitional year. As it turned out, long-term TA was placed in the field only in March 1992--too late to have any real impact until the 1992/93 coffee campaign, and with a backlog of work to do. PCV/CTAs were to provide technical assistance to primary societies. They too were placed in the field late, and arrived in two groups. The first group of five were placed in the field in March 1992, and the second group of six in January 1993.

[37] USAID embraced the notion of a quasi-market design and decentralized cooperative structure based on the principle of voluntary association. CDC proposed a joint business venture with NWCA, in which management authority was highly centralized at the apex.

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- In a related issue, discontinuities emerged between the design-phase assistance and long-term technical assistance. While short-term TA emphasized introducing the quasi-market design and designing institutional incentives to structure behavior to produce economically desirable outcomes, long-term TA focused its efforts on transforming NWCA into an efficient commercial enterprise operating on sound business practices. In a nutshell, short-term technical assistance in the design phase and long-term technical assistance in the implementation phase differed in orientation and emphasis, often sharply. Compounding this problem was personnel turnover at USAID. The net impact was that during much of restructuring, no staffer from the design phase remained at USAID. Although provisions for project continuity were made at USAID, change in personnel necessarily entails a learning process to establishing new working relationships, as well as lingering differences in implementation styles and emphasis.

- Several factors and events outside the program's control occurred during the life of the project, delaying full implementation. Coffee prices fell to historical lows in the world market. Political turmoil enveloped North West Province, beginning in the form of ghost-towns (general strikes) and culminating in a three-month state of emergency. However, policy reform often occurs in the worst of times, when policy-makers are highly motivated to make changes.

- USAID was unable to commercialize the CFRF from the outset of the project--instead providing interest-free loans to ensure adequate crop financing. This condemned the project to a continual source of dispute in the relationships between USAID and NWCA. A commercial fund would have imposed the constraint of the financial market on NWCA even as its monopoly continued in the local coffee market. A lesson from USAID's FSSRP experience was that conditions of access to funds could be designed in ways that encouraged and reinforced reform efforts. Banks could then indirectly condition lending on implementing reforms, while at the same time establishing relationships with recipient organizations that were consistent with financial markets. In turn, USAID could act as a facilitator in implementing reforms, while banks insisted on sound financial conditions. With limited leverage over NWCA, USAID itself had to push forward reforms, often meeting resistance from NWCA in doing so. When USAID tried to commercialize the CFRF mid-way through the project, NWCA strenuously resisted the notion. Clearly, the commitment to commercialization should have been obtained up-front, even if implementation had to wait as NWCA improved its financial accounting in order to be able to deal with banks.

- Further complicating the reform effort was the fact that the availability of local currency to support restructuring was contingent upon the GRC's enacting policy reforms. Thus, delays in the deposit of local currency by the GRC due to Cameroon's liquidity crisis translated into funding constraints that delayed restructuring.

- USAID's pro-active role in pressuring NWCA to cut costs and improve management led to a confusion between institutional reforms, which were a proper condition precedent to support for NWCA, and matters of business practice and strategy, which were appropriate for advice and counsel but not mandates. This confusion is evident

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in the tensions and frictions that developed between USAID and NWCA over the issues of marketing coffee by brokers and abolishing sitting fees. These frictions arose over relatively minor operational details, not introduction of the institutional design that was at the core of the reform effort.

- The retention of NWCA's monopoly buying rights in NW Province during the first two years of PRAMS I may have sheltered NWCA too much from competition. However, it is still uncertain that NWCA could have survived open competition with UCCAO too soon. What is certain is that the producer price negotiated for 1991/92, when the monopoly was extended for a final year, was too high. NWCA was obligated to accept a bumper crop of 4,400 tons of arabica coffee that year and pay a fixed producer price of 250 FCFA/kg, while incurring internal costs for the structure of 197 FCFA/kg. The average world price NWCA received in 1991/92 was only FCFA 272/kg, leading to estimated losses of 175 FCFA/kg on marketed coffee.

- Delays by the GRC in approving full price liberalization and cooperative law reform delayed introduction of the institutional design with its quasi-market features. Society-level pricing and cooperative restructuring were both contingent upon prior policy reform by the GRC.

- During much of PRAMS I an advisor from EDF also provided technical advice to NWCA and in fact enjoyed close working relationships with key NWCA people. Frequently, there was little coordination in the field between USAID-provided technical assistance and EDF-provided technical assistance. This often diluted the message being delivered to NWCA with respect to reform.

- Ambiguities and conflicts were inherent in delivering a mixed message to NWCA. At the same time that USAID was offering NWCA assistance, it was demanding that NWCA officials give up market power and face competition.

- There was a failure to hold reviews as originally planned. By impeding dialogue, this hampered efforts to a) build common goals and understanding among project participants, b) resolve disagreements, and c) identify problems and develop mid-course solutions during implementation, as intended in the project design.

Eventually, these difficulties were overcome. The countervailing factors contributing to success included the following:

- PRAMS I participants never gave up. USAID, ISTI, and NWCA kept talking and trying to resolve their differences. After much effort, the needed transitional year in introducing the design was obtained in 1992/93. The review process resumed as originally planned, reintroducing dialogue into the implementation effort. The Year Three PIA addressed NWCA's concerns about farmer education. In particular, the society-level pricing and coffee-quality education campaigns were forcefully delivered by NWCA and enthusiastically received by farmers, contributing to an understanding and acceptance of the institutional design and its quasi-market features. Although never complete, the cooperative law dissemination encouraged and facilitated restructuring--particularly at the society-level. Finally, the U.S. training course in

Agribusiness and the Indiana seminar sensitized key members of the NWCA staff to the concepts and ideas underpinning the reform. The pace of restructuring picked up dramatically after their return to Cameroon.

- The EDF withdrew its support from NWCA. As a result, NWCA recognized that its survival depended on reform. Furthermore, USAID--as the sole donor assisting NWCA--had more leverage in promoting the restructuring process.

- Close working relationships developed between the ISTI team and key members of the NWCA senior staff. Correspondingly, relationships between PCV/CTAs and cooperative officials improved, and their society-level technical assistance and education efforts were then better appreciated within the cooperative structure. The cause of this improvement in working relationships centers on improved dialogue between NWCA and technical assistance. This dialogue was the result of a) a series of meetings held between NWCA, USAID, and ISTI to work out differences and develop a common agenda, b) the Year Three PIA, which called for development of *joint* ISTI/NWCA action plans requiring the two parties to work closely together, and c) personal relationships that developed as suspicions subsided over time.

However, some difficulties were never overcome. Even at the final intra-annual review in March 1994, disagreements continued to surround the CFRF/Guarantee Fund. In this case, participating banks expressed reservations about the reliability of the fiduciary bank that had been selected to administer the fund. Instead, the participating banks argued they would be prepared to lend to NWCA if the fiduciary bank deposited guarantee funds in their banks. Given this disagreement, NWCA continued to argue that the 750 million FCFA in the CFRF should be reprogrammed for other uses.

The net impact of the implementation problems was that full introduction of the quasi-market design and adoption of the institutional reforms did not occur until the fourth (and final) year of PRAMS I. This left no time to monitor the results of the reforms, identify problems, and suggest improvements. Nor was there time to determine the next steps and follow-up actions required to strengthen and better institutionalize the reforms. As a result, the institutional arrangements that have been introduced are fragile, and their sustainability is in question. Much of the actual restructuring of NWCA still lies ahead. NWCA has two options. Either it can refine and improve upon the reforms that have been introduced to date, or it can become complacent and less serious about the reforms and slowly revert back to the way it was prior to PRAMS I. Only time will tell which path NWCA will take. However, the signs are encouraging that the institutional incentives introduced by the PRAMS I cooperative restructuring effort will sustain the reforms. These signs were readily apparent at the final review of PRAMS I and will be discussed below.

B. The Institutional Design Problem

The institutional design of the reform program was conceived as an iterative process, consisting of design, performance, observation, and evaluation, followed by selective redesign. The purpose of this process was to adapt and adjust the design to environing conditions while at the same time retaining appropriate institutional incentives to reduce and control costs, as well as to improve and control coffee quality. The institutional design changed during the life of the project as follows:

1) The design began with the basic conception of a quasi-market arrangement as the appropriate way to organize a cooperative structure concerned with marketing arabica coffee. The key issue in the design of coffee marketing arrangements is quality, which cannot finally be known until coffee is roasted and cup-tested. The quality of arabica coffee depends on a sequence of timely steps in processing (harvesting, pulping, washing, hulling) at both the farm and factory level, requiring close market coordination between small, widely scattered farmers and a small number of union mills with limited economies of scale. A small quantity of bad quality coffee can adversely affect the quality of a large lot of coffee. This implies that some sort of vertical integration is required in the arabica coffee market to maintain quality control. Furthermore, farmers must have economic incentives that reward production of good quality coffee and minimize collective action problems. This implies that world market price signals must be communicated to farmers. Within the NWCA cooperative structure, these incentives must be directed to the primary society level, the point at which farmers interface with the cooperative, and by extension, the world market.

2) The initial design intended that coffee from each society be tracked to the world market. This was rejected prior to implementation on the advice of a short-term technical consultant who argued that this was not feasible because union mills must pool the coffee received from various societies in order to operate efficiently. Thus, the design was altered to track coffee from each union.

3) Difficulties were experienced in marketing coffee on a union-by-union basis. Frequently, coffee from several unions has to be combined to make up a shipment. Thus, this element of the design was abandoned as a marketing strategy early in the implementation of the project. However, coffee continued to be tracked from each union even if not marketed separately.

4) The basis for distributing coffee revenues was shifted from attributing to each union the share it received from actual sales to a share based on the average price received from all sales. This was a controversial decision, opposed by some of the larger unions, and it remains an issue to be resolved over time within the cooperative structure. Distributing revenue on the basis of the price each union's coffee actually receives potentially rewards unions that efficiently process high-quality coffee. Inefficient unions producing poor quality coffee are penalized by receiving less revenue. Average pricing does not contain these incentives and could potentially reward inefficient unions at the expense of efficient unions. However, average pricing does shelter the unions from the vagaries of the world market, which exhibits a high degree of price movement over time. Thus, in 1992/93 the union-sales mechanism would have rewarded two inefficient unions, which processed their coffee late but would have benefitted since world coffee prices improved significantly toward the end of the season. In many cases, lots of coffee as shipped must contain coffee from various unions. This also favors the average-pricing mechanism.

5) The three-part classification system, used to sort parchment coffee into classes of Very Good, Average, and Poor at the point it is accepted from farmers, also ran into difficulty in the attempt to process and market coffee separately by class. The system of classification was temporarily, and prematurely, abandoned. However, quality claims against NWCA's coffee led to reinstatement of the acceptance procedure to monitor coffee quality, but with less ambitious plans for processing and marketing separately by class.

6) It is still not clear that societies have the correct incentives to monitor and control quality. However, field indications are that the quality of coffee accepted by unions from societies has improved in 1993/94, particularly in terms of consistency. NWCA and technical assistance conducted a coffee-quality education campaign to explain the classification system and sensitize farmers about coffee quality. The acceptance procedures seem to be controlling for poor quality coffee (Class III) more likely to include "stinkers." The problem is in part the result of differences among society-level officials and weighing delegates in the degree to which they understand and faithfully apply the acceptance procedure. Also, it is not certain to what degree unions consistently follow similar receiving procedures. It is clear, however, that unions, like Nso, that experienced quality claims in 1992/93 are now rigorously controlling for Class III coffee. However, because quality cannot be finally determined until coffee is roasted and cup-tested, no acceptance procedure can fully eliminate quality claims.

7) Farmers clearly do not have sufficient incentives at present to control quality. No mechanism, such as differential pricing for classes of coffee, has been decided upon to reward farmers for better classes of parchment, although the issue is being discussed. The cooperative structure will eventually have to move toward more careful society control over farm-level practices. Plans by the Marketing Department to conduct further education campaigns for farmers to demonstrate improved farm-level coffee processing practices are being discussed and should prove helpful. Small societies potentially have major advantage in controlling coffee quality. In smaller, village-oriented groups, farmers seem to be better aware of the behavior of other farmers, minimizing collective-action problems.

The iterative process of adapting the institutional design to circumstances is one that now must continue beyond the life of PRAMS I. Problems will be observed with the introduction of separate internal costs for each cooperative organization and with society-level producer pricing. The key is to address these problems and refine the internal marketing arrangements, strengthening them without destroying or abandoning the reforms.

C. Performance of the Institutional Design

The performance of the institutional design can only be observed after several arabica coffee seasons, since many of the reforms are long-term in nature. Given the implementation problems encountered, the design was fully implemented only during the final year of PRAMS I. Mid-way through this final season, the 50% devaluation of the Franc CFA disrupted the coffee season by forcing recalculations of producer prices, creating a liquidity crisis that complicated crop pre-financing. Thus, any analysis of performance can only be tentative and, at best, indicative.

One of the most encouraging features of the reform effort was the freedom given farmers to reorganize their cooperative structure as they desired. Society-level restructuring increased the number of primary societies from 40 to 73. In large part, this reflected farmers' desires that societies return to the village-level organizations that had been prevalent prior to the government-sponsored amalgamations from 1973 to 1986. Indications are that these smaller societies will be more accountable to the membership and more responsive to member needs, without increasing costs. Indications are also encouraging that smaller size societies may be more effective in resolving problems of collective action than larger societies.

More society-level subdivisions can be expected in the future. However, the cooperative restructuring exercise contained a worrying sign that local "big men" can play on farmers' desires for village-level societies by stirring up inter-village rivalries in order to create a new society for their personal gain. In any case, the design anticipates that a period of experimentation and learning will be required before farmers can create the configuration of cooperatives that serves their needs best.

Only one society changed its union affiliation. As the effects of the society-level pricing system take root, it is expected that more changes in affiliation will take place. Given similarities among union internal-cost estimates to date, reaffiliations will likely await more rigorous application of the budgeting process to determine internal costs, although external audits should expose budgetary inadequacies.

The design anticipates union restructuring--either through failure of inefficient unions or through contracting for processing services with other unions. No union restructuring has taken place to date. It is clear that unions have excess hulling capacity--12 mills is too many. Given the similarities in unions' internal cost figures, there are currently only limited pressures for restructuring. Indications are that larger unions have been less rigorous than smaller unions in cutting costs. Improved implementation of the budgeting procedures to calculate internal costs will be needed before union restructuring takes place.

The central quasi-market feature of the institutional design is society-level producer pricing. Even in anticipation of the new system, most societies cut their operating costs drastically. Prior to the devaluation mid-way through the coffee season, there were encouraging signs that society-level pricing was having impact on the timing of coffee deliveries to cooperatives, although the availability of crop financing also played a role. Many unions, particularly in the principal coffee growing areas, reported that more coffee was arriving earlier in the season than had occurred in recent memory. Some small tonnage unions were actively buying coffee from West Province to attain their tonnage estimates or lower per-kilo costs. However, the devaluation created temporary price confusion within the structure even as it promised to increase farmer income substantially.

Associated with society-level pricing are incentives to improve coffee quality. As a result of the quality claims against NWCA's coffee in 1992/93, the cooperative structure began promoting improved primary processing at the farm-level and strict adherence to coffee acceptance procedures. Although no data are available to measure the improvement in coffee quality, many observers report that the quality of arabica coffee accepted and processed in 1993/94 is much improved. Unions that incurred problems from quality claims seem to be strictly controlling for poor (Class III) parchment during union acceptance and processing.

The results of society-level pricing are seen in Table 2. The producer prices exhibit variation among primary societies and, to a lesser extent, among unions. The range in society prices is between 476 FCFA/kg and 542 FCFA/kg, or 66 FCFA/kg. The average producer price for all societies is 519 FCFA/kg.

Grouping producer prices by union tells a somewhat different story. Producer prices range from a low in the Nkambe area of 494 FCFA/kg to a high in the Bali area of 534 FCFA/kg. This variation in part reflects differences in the budgeted costs of the union and societies in each area. Bali is located close to Bamenda and has two societies serving a relatively small area. It operates a small but low-cost mill. By contrast, Nkambe is far from Bamenda and serves seven widely dispersed societies over a large area. The differences in producer prices likely reflect Nkambe's higher transportation costs. If one omits the two lowest producer-price union areas, the range in price differences between union areas is only 16.6 FCFA/kg. This reflects the similarity in internal costs between unions (see Table 1). Given widely different tonnage estimates, differences in mill operating efficiency, and different transportation cost structures, greater variation among the producer prices in different union areas should be expected.

Price variation among CPMSs in the same union is inconsistent across union areas. Six union areas exhibit significant price variations: Bali, Central, Nkambe, Nso, Oku/Noni and Santa. Five union areas exhibit very little price variation: Kom, Mbengwi, Moghamo, Ndop and Pinyin, although the Ndop figures apparently reflect actual budgeted costs. The lack of price variation is largely due to union domination over the societies' price-setting process. In some of these union areas, societies were given upper internal-cost limits, which, they were told, should not be exceeded.

The analysis of union costs in Section V, and the lack of producer price variation among societies in some union areas, reveals a weakness in the way the budgeting process was implemented. Improvements are clearly needed. By not following the budget procedures so that internal costs reflect the actual costs of arabica coffee operations--and by extension the services demanded by societies from a given union and by farmers from societies--the immediate pressure on cooperative officials to reduce and control costs is weakened. The incentive for farmers and societies to reaffiliate with more cost-conscious and efficient unions is also weakened. This situation may be compounded by the fact that after internal costs are recalculated in the wake of devaluation, a bonus payment of at least 200 FCFA/kg is anticipated. This means that the final average producer price for arabica coffee in NW Province is likely to be at least 716 FCFA/kg. The concern is that, with such high prices, incentives to reduce costs within the cooperative structure will be further weakened. After beginning the 1993/94 coffee season with price estimates in the 250-265 FCFA/kg range, there is now a potential that cooperative officials can capture some of this windfall from farmers.

Despite these concerns, the quasi-market competition engendered by society-level pricing has yielded encouraging results. All six cooperative unions in neighboring West Province opened the season paying 400 FCFA/kg for arabica coffee, as did the private traders. Coffee is beginning to flow into NW Province from West Province, responding to the lower costs of NWCA's cooperatives. This reverses a trend that was common during the pre-PRAMS I environment.

Although the institutional design has been successfully introduced into NW Province, it remains fragile. Improvements in budgeting and internal cost estimation are clearly needed. The performance of the design has been encouraging, if somewhat inconclusive. Given the difficulties experienced during implementation, the introduction of the design was not complete until the final year of the PRAMS I project. This means that technical assistance will not be available to reinforce implementation of the design or address problems that inevitably arise. The PRAMS I cooperative restructuring component draws to a close with the burden squarely on the shoulders of NWCA to improve on its performance to date and sustain the reform effort.

Table 2: Producer Prices by Union and Society (Prices in FCFA/kg)

(Source of Prices: Arabica Market Information System, 18 February 1994)

Union	Society (CPMS)	Price	Mean	Range	Diff. from Mean
Bali			534.0	16	+12.0
	Bali Cent.	542			
	Nsamwock	526			
Central			527.3	12	+5.3
	B'da/Nkwen	520			
	Mankon	532			
	Tubah	530			
Kom			529.1	10	+7.1
	10 CPMSs	530			
	Atumikuh	520			
Mbengwi			500.0	0	-22.0
	7 CPMSs	500			
Moghamo			530.0	0	+8.0
	8 CPMSs	530			
Ndop			531.3	2	+9.3
	Central	532			
	East	532			
	West	530			
Nkambe			494.0	32	-28.0
	Bongabi	502			
	Chinkabi	498			
	Nbeatzi-Niya				
	Rom	500			
	Sabongari	476			
	Tang	480			
	Wat	N/A			
		508			

Union	Society (CPMS)	Price	Mean	Range	Diff. from Mean
Nso			520.9	14	-1.1
	Jakiri	518			
	Kifem	516			
	Kikai Kom	526			
	Kimbo	524			
	Kumbo Zone	526			
	Mbam Nkum	514			
	Mbiame	522			
	Melim Zone	524			
	Meluf	522			
	Meluf Zone	524			
	Mbiim-Buh	522			
	Nkar	512			
	Nkar Zone	522			
	Tatum	520			
Oku/Noni			517.4	18	-4.6
	Din	520			
	Djottin	516			
	Fonti	516			
	Ibal	512			
	Jikejem	516			
	Lui	516			
	Mbam	522			
	Mbinon	524			
	Mboh	516			
	Mboki-jekijem	516			
	Nkor	506			
	Nkwi	522			
	Oku	524			
Pinyin			530.0	0	+8.0
	2 CPMSs	530			
Santa			528.0	6	+6.0
	Akum-Bama	528			
	Awing	530			
	Baligham	524			
	Santa	530			
All Unions			522.0	40	

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The Impact of Policy Reform in West Province: A Research Note

Prepared by Daniel Green

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I. INTRODUCTION

In order to better understand the impact of reform activities in Cameroon, a brief study of changes in West Province was undertaken. This research note is based mainly on interviews with *Union Centrale des Cooperatives Agricoles de l'Ouest* (UCCAO) and member cooperatives' staff during the week of February 14-18, 1994, as well as background documents.

West Province produces up to 70 percent of Cameroon's arabica crop in any given year. Until 1992, the marketing of all arabica coffee and much of the robusta coffee crop in West Province was handled by UCCAO. This organization, founded in 1958, is presently a union of six marketing cooperatives, each with boundaries coterminous with an administrative division of West Province.[1] Two of the six member cooperatives produce mainly robusta coffee (CAPLAHN and CAPLANDE in Haut Nkam and Ndé Divisions, respectively). Two have mixed production with arabica predominating (CAPLAMI and CAPLAME in Mifi and Menoua Divisions) and one has mixed production with robusta dominating (CAPLANOUN in Noun Division). Finally one cooperative, CAPLABAM in Bamboutos, produces only arabica.

UCCAO's primary purpose was the marketing of coffee collected by its six members. Unlike any other private organization in Cameroon, UCCAO was not required to market arabica coffee through the National Produce Marketing Board (NPMB). Instead, UCCAO sold directly on the world market and received the revenue from those sales. For robusta coffee, however, UCCAO was and still is subject to the nationwide marketing regime for that commodity and is remunerated according to the government's *bareme* of marketing costs.

Table 1. ARABICA Coffee Production (Tons)

Cooperative	1986	1987	1988	1989	1990	1991	1992	1993	Total
CAPLAME	4288	4320	3916	4395	2377	2533	3594	1841	27264
CAPLABAM	4256	4487	3300	3729	2960	2002	3798	972	25504
CAPLANOUN	2815	4247	1264	2587	2356	1486	3027	-NP-	17782
CAPLAMI	2910	3740	2234	2967	2036	2152	2399	1732	20170
CAPLAHN	62	72	68	75	55	59	99	-NP-	490
CAPLANDE	79	107	89	89	102	44	87	-NP-	597
TOTALS	14408	16973	10931	13842	9886	8726	13004	4545	91807

[1] This is no longer the case because as of early 1993 the Mifi Division, home of CAPLAMI, was split into three divisions.

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Table 2. ROBUSTA Coffee Production (Tons)

Cooperative	1986	1987	1988	1989	1990	1991	1992	1993	Total
CAPLAME	2545	3069	2164	4479	2075	2519	---?	713	
CAPLANOUN	2554	2885	749	663	684	452	1978	---?	
CAPLAMI	111	216	125	138	109	71	144	27	
CAPLAHN	2090	3652	1611	2573	1273	1810	1933	255	
CAPLANDE	1408	2562	1238	2864	941	1246	1511	182	
UCCAO (*)	---	---	---	---	---	---	335	45	
TOTALS	8708	12384	5887	10717	5082	6098	5901	1222	

(*) sales of stocks of robusta from previous years

An important influence on UCCAO's development as an organization in recent times has been a major World Bank project in West Province, the *Projet de développement rural de la province de l'Ouest* (PDRPO), beginning in 1984 closing on December 31, 1992. Although managed by UCCAO, the project was intended to assist with agricultural development generally throughout the province. Surprisingly, the PDRPO is not viewed with great favor in UCCAO today. While it allowed the construction of some feeder roads and collecting stations, it also involved the Union in new and unprofitable ventures in vegetable seed farms and vegetable production. The project also had the negative effect of causing the staff of the Union and member cooperatives to grow markedly and, seemingly, without logic. Scores of new employees were taken on for dubious reasons. UCCAO became so big that "it was like a ministry," one cooperative director remarked. In addition, disruptions in financing due to problems between the central government and the World Bank left UCCAO with many uncompleted buildings and machinery installations.

UCCAO and the six member cooperatives began to adjust to the crisis in the export crop sector in 1988-89 by shedding unneeded personnel. A large number of employees were also let go with the termination of the project. At this point approximately 200 staff were dismissed, and the personnel of UCCAO was reduced to 185 persons.

The economic crisis helped to deal a severe financial blow to UCCAO and its member cooperatives. Doing greatest damage was the growing discrepancy between world prices and the government-fixed producer prices of 1987, 1988, and 1989, when the world price for arabica halved and the GRC maintained the same producer price of 475 FCFA per kilo. This conjuncture quickly ate up the reserves that UCCAO held and generated a major debt.

As Table 3 indicates, the entire cooperative structure has been operating in a very shaky financial condition for many years. These figures indicate losses or gains when sales are balanced against costs. The deficits realized for most cooperatives each year are made up from that cooperative's own reserves or from borrowing.

Table 3. Financial Balances, "Groupe UCCAO" (Millions FCFA)

Cooperative	1986	1987	1988	1989	1990	1991	1992	1993	Total
UCCAO	150	215	191	-111	-74	-30	-98		243
CAPLAME	3700	-333	129	-438	-654	232	64	Figures	2700
CAPLABAM	2165	-1119	-1140	-974	-317	-168	-432	Not	-1985
CAPLANOUN	119	1504	-875	-1269	-740	-189	-248	Yet	-1698
CAPLAMI	1882	-427	-96	-10	-152	22	-186	Ready	1033
CAPLAHN	-88	-53	-100	-218	-70	-37	-16		-582
CAPLANDE	74	-8	-19	-151	-105	-63	-25		-297
TOTALS	8002	-3229	-1910	-3171	-2112	-203	-941		

Those cooperatives that need credit to buy coffee in a particular season obtain it through UCCAO, which goes to the bank with them or for them to secure their loans. Cooperative managers then draw directly from the bank to finance their daily purchase operations. Two of the member cooperatives, CAPLAME and CAPLAMI, do not need to borrow money to purchase their coffee. Currently CAPLAMI's reserve is approximately 4 billion FCFA, and for the last five years they have not had to borrow from any source to finance their crop purchases. At the opposite extreme, with no reserves of their own and an almost complete lack of financing for the 1992/93 season, the two robusta cooperatives--CAPLAHN and CAPLANDE--recorded no arabica purchases in that season and almost no robusta (see Tables 1 and 2).

All six cooperatives have unresolved financial accounts with UCCAO. CAPLAMI is owed 3 billion FCFA by UCCAO. CAPLAME is owed around 1.5 billion. CAPLABAM appears almost in balance, with different accounts suggesting it is owed 300 million FCFA or owes about that much to UCCAO. On the other hand, the situation is serious and negative for other cooperatives. CAPLANDE owes UCCAO 600 million FCFA. CAPLAHN owes 1.3 billion. CAPLANOUN has the biggest deficit with UCCAO, on the order of 2 billion FCFA. These debtor-creditor relationships are the source of a great deal of friction and conflict among the six cooperatives.

Throughout this period UCCAO was administered and led primarily by a group of fourteen civil servants seconded to its headquarters from the Ministry of Agriculture. This was common practice in the era of strong government "tutelle." The civil servants occupied all the major posts (including Director General and Deputy Director General) and were directors of almost every one of UCCAO's functional departments. Their management style has been described as centralizing and interventionist. As was typical of cooperative structures throughout Cameroon at the time, UCCAO was not ruled by its members, but rather ruled over them.

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II. THE NEW COOPERATIVE LAW AND UCCAO

A. Impressions of the Law

Based on interviews with each of the six managers of the UCCAO cooperatives, one gets a sense of apprehension about the new cooperative law.[2] Several would have preferred a much more gradual liberalization and were concerned that the average planter/cooperative member is not ready for full cooperative democracy. The new law might allow members to make unwise decisions in the management of their cooperatives, which could result in cooperative failures. An extensive education campaign was thought to be necessary. Some managers offer dire predictions that the new law will bring the end of the cooperatives.[3] The former Provincial Chief of COOP/MUT reportedly said on the radio that the new law would ruin cooperatives and that the government had abandoned them.

B. Impacts of the Law, Present and Future

Among the more important features of the law has been the rolling back of the central government ("desengagement de l'etat") from its extensive intervention into the cooperative sector and the management of the daily affairs of individual cooperatives. Previously, as one cooperative director described it, UCCAO and its six member cooperatives were nearly extensions of the central government and the one-party state. Simple cooperative meetings were political events, at which the government enforced its will and challenging official positions or even asking the wrong question was a dangerous thing. In addition, major decisions taken at cooperative and cooperative union meetings, such as passing the annual budget, had to be approved by a ministry in Yaounde, action that could often take a year or more.

The many advantages of the new cooperative law compared to the previous regime, are acknowledged even by those who had serious reservations about the law as a whole. The advantages are primarily in the realm of new freedoms cooperatives can enjoy. Those specifically mentioned include the following:

- Cooperatives and their general assemblies are able to make their own decisions and act upon them. Budgets and decisions need only be approved locally and are effective immediately.

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[2] For a discussion of the new cooperative law, see the PROMT report, *Paths of Reform*.

[3] Two favorite paternalistic analogies were a "car without brakes" and a pen full of chickens. The car-without-brakes referred to the notion that the simple farmer would not know how to operate under his new freedom and would destroy his cooperative and himself. The chicken-coop analogy referred to the idea that though farmers may have been constrained under the old regime, they were well taken care of. With their new freedoms, they might logically run away from the coop and enjoy their liberty, but many would then be hunted and eaten, killed by vehicles, or would starve in the bush.

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- The power relationship between UCCAO and its member cooperatives has been modified to the advantage of the six cooperatives. Onc cooperative manager was happy that UCCAO staff no longer visited the cooperative regularly, second-guessing decisions and micro-managing the cooperative's affairs. UCCAO was now obliged to recognize that this sort of oversight is inappropriate behavior.

- The new law allowed the six cooperatives to rid themselves of government-hired civil servants, who had previously managed UCCAO and some of the member cooperatives. Most of those interviewed believe that civil servants had mismanaged cooperative affairs. They also believe that, as a general matter, civil servants should not hold cooperative positions because their status as government employees would grant them personal security regardless of their performance.

On the other hand, most persons interviewed expressed serious reservations about the law, some to the point of calling it disastrous. Broadly, there is great concern that the new law is too democratic in the sense that the average cooperative member would be unable to understand it or behave suitably under it. More specifically, the following potential or actual problems were mentioned:

- The quality of people on the Supervisory Committee was considered by the manager of one cooperative to be very poor. Given the important "watchdog" role this body is supposed to play on financial matters under the new law, the poor quality of the committee was of concern.

- More broadly, there is a fear that as cooperatives are left to govern themselves, there will be no one to play a neutral, monitoring role. Who will ensure that elections are conducted fairly if there is no external body to supervise them? Who will check on and punish financial malpractice inside cooperatives, particularly if they involve high cooperative officials?

- One manager mentioned that because of the wording of the law, his Board of Directors felt that they had every right to intervene frequently in the day-to-day management of the cooperative. This practice was causing him some trouble.

Among the six cooperatives, some have undergone dramatic changes in control and governance thanks to the requirement for new cooperative elections and the need to establish the new governance structures also required by the new law. CAPLANOUN experienced a members' rebellion, resulting in an almost complete change of its Board of Directors reportedly because of the massive incompetence of the previous group. The very existence of CAPLAMI was threatened in the course of its elections. The Mifi Division (a local administrative unit of the government) had been split in early 1993 into three separate divisions. When the time for new elections under the new law came, a major battle took place over the issue of splitting the cooperative into three cooperatives or, if not split, who should be elected president. There was a feeling that high posts such as the presidency should rotate regularly among the three divisions. These disputes delayed the elections until early February, just barely ahead of the deadline for re-registration of existing cooperatives. Only the intervention of the governor, prefet, and UCCAO allowed the elections to take place. The incumbent president was not re-elected, and there is some tension between the new board and the manager.

However, other cooperatives, including CAPLAME, CAPLABAM, and CAPLAHN, experienced very few changes in their boards or presidencies at the recent elections.

Beyond UCCAO and its members, an interview with the new Chief Registrar of Cooperatives for West Province revealed that the new law has allowed an efflorescence of popular organizations. Prior to 1993, West Province had only 16 organizations registered under the 1973 Cooperative Law. As of mid-February 1994, the registrar had received applications from 50 organizations, with more coming in every day. This number includes 24 common initiative groups, allowed for the first time under the new law. The Registrar reported only one organization deciding to split--the credit union shared by employees of UCCAO and CAPLAMI in Bafoussam. Because of the inability of many of the UCCAO employees to meet their financial obligations to the credit union, the CAPLAMI employees wished to separate.

III. ARABICA LIBERALIZATION AND UCCAO

USAID/Cameroon's impact on UCCAO has been primarily through the general economic liberalization it has helped to obtain for the entire arabica sector. This includes the move to the end of monopolies for NWCA and UCCAO with the 1992-93 season and the move to full price liberalization with the 1993-94 season. In addition, USAID/Cameroon's efforts, early on, to remove government powers of taxation and regulation from the sector involved the elimination of the "prelevement NPMB," a flat 38 FCFA tax imposed by the government on each kilo of coffee UCCAO exported. This was UCCAO's contribution to the national stabilization fund.

The bulletin of prices published by the Arabica Market Information System (AMIS) for mid-February 1994 lists two independent traders operating in the area: Mama Mbomba in Foumban and Foumbot and Societe Nik in Foumban. Both are cited as offering 400 FCFA/kg for arabica, the same price as the six UCCAO cooperatives. None of the UCCAO staff interviewed appeared to know anything about these two companies. More important is a third new and independent force in the Province, the new export company formed by ex-UCCAO Director General Henri Fankam, called CIOCAM. CIOCAM is said to be operating in all parts of the province, buying arabica, robusta, and cocoa.

Competition from NWCA has also been felt in the 1993-94 season. UCCAO appears very alarmed at the fact that NWCA cooperatives are paying prices as high as 520-540 FCAF/kg to their farmers. UCCAO's price of 400 FCFA/kg pales by comparison. A meeting was recently held at UCCAO to discuss raising their producer price to 475 FCFA/kg, but this was rejected on the grounds that it would leave UCCAO with a deficit this year, something the Union can ill afford as it tries to get its house in order. UCCAO and member cooperative staff members console themselves with the idea that the price NWCA is offering is not sustainable and that it will surely drive NWCA out of business in a year or two.[4] Subsequently, however, UCCAO did raise its producer price to 475 FCFA/kg.

In the CAPLANOUN area, the competition in arabica is stiff enough that the managing director has changed his operating strategy and plans to concentrate this year on the robusta crop, which is larger than the arabica crop.

Competition in the robusta market is fierce. CAPLANDE faces nine private operators in Ndé Division, and the cooperative is in danger of collapse. CAPLAHN will consider itself fortunate to get 20 percent of the total robusta crop grown in their division this year. In addition, Henri Fankam's CIOCAM has reportedly told the arabica-producing villages in the CAPLAHN area that he will buy all their output at a price higher than UCCAO's.

[4] More than one person interviewed expressed the suspicion that NWCA could only pay such prices because of some unknown but certainly generous funding it must have received from USAID. PRAMS I did not subsidize NWCA's operating costs. The idea that NWCA might be more efficient in its operations was dismissed.

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Nonetheless, most cooperative managers did not express any long-term fear of competition from private traders. They believe that cooperatives have more to offer farmers than traders, and that this advantage would win in the end. However, one of those benefits offered by cooperatives is subsidized fertilizer, which, in most cooperatives, was in very short supply this year due to high prices. Generally, it is felt that once UCCAO and its members have recovered financially and can match private trader liquidity, they will be able to win back any lost business.

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IV. COOPERATIVE RESTRUCTURING

Beginning in early 1993, UCCAO and its six member cooperatives have undergone rather profound changes. These changes are due both to the increased competition from the liberalization of arabica marketing internally and externally and the new freedoms and authority relationships brought to the cooperative structure by the new cooperative law. In addition, the 1988-92 economic crisis in the cash crop sector as a whole is a factor that should not be overlooked.

At the beginning of 1993, as the new cooperative law came into effect, there was some desire on the part of many of the six member cooperatives to split from UCCAO, and UCCAO almost died. One of the principal causes of dissension was financial debts among the various parties. Cooperatives owed money by UCCAO wanted to leave to avoid losing more money to the structure; cooperatives owing money to UCCAO wanted to leave to avoid paying their debts.

Instead, there seems to have been a major effort to restructure UCCAO and make it a better servant to its cooperatives. One cooperative manager speculated that the only reason UCCAO did not dissolve at this point was that it remained attractive as a symbol of the West Province and the Bamileke people. In these political times, he thought, it would not look good for an important institution like UCCAO to die: "It's not good to go against what society wants."

First, there was a major change in the leadership at UCCAO. The 14 civil servants that occupied all the top-management positions were asked to leave in February 1993. The opportunity for this change arose because of the new cooperative law. A letter dated February 22, 1993 from the Minister of Agriculture stated that, in light of the new law and the withdrawal of the government from cooperative affairs, all civil servants employed by UCCAO should return to government service. Although the civil servants were free to stay in their seconded positions, they would have to resign from the civil service and negotiate new contracts with their employers. The Board of Directors of UCCAO chose not to entertain the possibility of keeping any of the fourteen on the payroll and voted unanimously to let all of them go.

The six cooperatives now must perform better to earn the loyalty of their members, and, in turn, the cooperatives are demanding better performance from UCCAO. The previous relationship, in which member cooperatives were powerless in the face of UCCAO, has changed. A management committee composed of the six cooperative managers drew up a plan for refocusing UCCAO on its essential activities. The 10-12 departments of UCCAO were reduced to four. There remains some sentiment to reduce UCCAO further, to the barest of functions. "They could do their work with five people," one cooperative manager noted. For the time being, however, the committee is waiting to see what comes of the changes already put in place.

To defuse the indebtedness issue between UCCAO and its six members, both debits and credits on past accounts have been reserved for long-term resolution. This solution was not necessarily everyone's first preference, but it was a workable compromise. As the manager of one of the wealthier cooperatives stated, "If we asked for all our money, we would send UCCAO into bankruptcy (faillite)." For the moment, he was willing to forego this option.

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One other concern of the new regime at UCCAO was to make robusta coffee a full equal of arabica--no longer a second-class commodity--in terms of its treatment by UCCAO. Each of the six marketing cooperatives owns its arabica coffee to the point of sale on the world market. UCCAO markets arabica on behalf of its member cooperatives. After deducting its marketing costs plus a 3.5 percent commission, UCCAO distributes the remainder to its members.[5] One of the changes applauded by member cooperatives is the discontinuation of the practice of transferring the ownership of robusta coffee to UCCAO. Beginning with the current season robusta will be owned by the member cooperative that submitted it until the point of sale overseas, and separate marketing accounts will be kept for each cooperative. The two robusta-marketing cooperatives, CAPLAHN and CAPLANDE, suffer disproportionately in the present environment, since the marketing of their principal commodity is not fully liberalized, and they cannot take full advantage of skillful export marketing to increase their receipts. Both robusta cooperative managers thought that further liberalization of the robusta sector would greatly improve their chances of a return to profitability, though one also wished for a new monopoly on robusta buying in his division to help him avoid competition with traders.

The domineering, top-down management style of the previous UCCAO structure meant that the UCCAO leadership exerted considerable influence on the decisions of member cooperatives, including the appointment of cooperative managers. Often they were able to keep managers in power as cooperatives deteriorated. Thus, a major impact of the new law has been to give the members and boards of these cooperatives the capacity to rid themselves of bad management and strive for better performance. Three cooperatives in particular--CAPLANDE, CAPLAHN, and CAPLANOUN-- are most frequently mentioned as having been mismanaged for many years. There are now three new managers at these cooperatives, and two of those, in CAPLANDE and CAPLANOUN, have served in their positions less than one year as of February 1994.

Some cooperatives have also made efforts to be more responsive to their members. CAPLAHN has effectively eliminated the middle-tier "section" level of its internal structure in favor of focusing full attention on the village-based "basic unit." Each unit has its own locally-elected officers. They have found that this arrangement is much more popular with farmers. The CAPLAHN management has also increased the number of delegates to the General Assembly.

Several of the cooperatives have recently been forced to make significant cuts in workforces. The staff of CAPLANOUN is down from around 200 employees in 1989 to 57, and more cuts are likely. CAPLAMI has reduced its staff from a high of 523 employees in the 1980s to the present workforce of 182. CAPLANDE has reduced its permanent staff from 48 to 27 employees.

UCCAO has also reduced the size of its staff in the new environment. Since the major staff cuts after the closing of the World Bank's PDRPO project in early 1993, there has been a second wave of cuts, shedding 84 staff members and bringing current employment to 101. It is a sign of the financial weakness of UCCAO that the termination benefits of these 84 workers, a total of 43 million FCFA, have yet to be paid.

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[5] Information on UCCAO's arabica marketing is based on interviews conducted by Paul D. Wessen.

different hiring practices in response to the new competition. CAPLANOUN now hires many of its workers only seasonally and wages are subject to negotiation. Complaints about wages or conditions not being in accordance with Labor Code minimums are met with deaf ears. CAPLANDE, having trouble paying the remaining employees on staff, may also soon hire many of its workers seasonally.

The new feeling of independence among cooperatives has grown to such an extent that the director of CAPLANOUN is openly entertaining the idea of allying with a private trader/exporter rather than UCCAO. CAPLANOUN has serious trouble securing adequate finance either from banks or from UCCAO given its record of indebtedness and mismanagement. It therefore finds a different and more liquid business alliance tempting. There is also the attraction of abandoning an organization to which you owe 2 billion FCFA.

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V. CONCLUSIONS

"Groupe UCCAO" and the marketing of arabica coffee in the West Province have undergone significant changes just in the last two to three years. In some ways they are stronger for it; yet on other fronts they have not yet risen to the challenges and could still be defeated by them.

What can be observed in both West Province and North West Province are the beginnings of structural change made in response to competitive market conditions while drawing on organizational capabilities created by the new cooperative law. As long as competition continues and as long as the new national legislation is maintained, structural change is likely to continue.

Both competition and the new cooperative law are necessary conditions for this outcome. In the North West Province, the changes and new efficiencies achieved throughout the NWCA structure have been greatly facilitated by PRAMS I. Nonetheless, it will be the combination of the forces of competition and cooperative liberalization that maintains those internal reforms and perhaps pushes them further. The same is true of the cooperative structure in West Province.

The effect of reform cannot be instantaneous, due to transaction costs (the time and effort required to work out differences and negotiate settlements) and the retarding effects of what might be called "historically incomplete transactions." With regard to UCCAO, the latter consist primarily of the massive debt that exists among the various cooperatives and the Union. These leftover problems are a legacy of the previous policy regime for UCCAO and West Province, and they continue to be felt.

Finally, there remain significant barriers to quick action and change. Poor information and often inadequate training at all levels of both UCCAO and NWCA inhibit change, helping to maintain the power of those with preferential access to both information and training. This state of affairs makes it difficult, for example, for cooperative members at the base of the cooperative structure to demand accountability and improved performance from their own marketing cooperatives societies as well as from unions and federations. This in turn retards the pace of structural change one might expect in the future. However, with liberalization, farmers now have both the power and the incentive to begin asking questions and demanding action. Farmer ignorance and lack of training at lower cooperative levels has long been the favored excuses for maintaining the "tutelage" of the government. However, the tutelary system did nothing to correct the problems of knowledge, information flows, and training, and created a host of additional problems as well. Now, with liberalization in place and competition a reality, the freedoms and incentives are present to allow and encourage learning and progressive change. On this basis, further transformation in the West and North West Provinces can be expected in the years to come.

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ANNEX

List of Principal Participants
Cooperative Restructuring Component of PRAMS I

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Cooperative Restructuring Component of PRAMS I

***USAID/Cameroon*:**

Jay Johnson	Mission Director (to 1992)
Tham Troung	EAPRI Chief (to 1991)
Robert Shoemaker	Project Design & Evaluation Officer (to 1992)
S. Tjip Walker	EAPRI Staff Member (to 1991)
François Vézina	PRAMS I Coordinator (1991-94)
Peter Benedict	Mission Director (1992-94)
Ron Harvey	Assistant Mission Director (1992-94)
Kifle Negash	EAPRI Chief (1992-94)

***NWCA*:**

Simon Achidi Achu	President (to 1991)
Christopher Berinyuy	President (1991-93)
Emmanual Ndi	President (1993-present)
Robert Ghogomu Tapasi	General Manager (1990-present)
Paul Ngabir Bantar	Assistant General Manager (1992-present)
Christopher Mbah	Marketing Director (1992-present)
Elias Sikod	Engineer
Abel Chenyi	Finance and Accounting Director (1992-present)
Samuel Mbuyah	Internal Audit Chief
Hartmut Hofmeister	EDF Advisor (to 1993)

***DFM Short-Term Consultants (1990-92)*:**

Ronald Oakerson	Chief of Party/Institutional Analyst
Susan Wynne	Institutional Analyst
Sheldon Gellar	Institutional Analyst/Chief of Party
Karl Reher	Coffee Processing Specialist
Larry Muir	Coffee Marketing Specialist
Randy Dow	Accounting Specialist
Alray Sumpter	Management Specialist
Karsten Meyer	KAACK Mechanical Engineer

ISTI Technical Assistance Team (1992-94):

Lisa Matt	Chief of Party/Institutional Specialist
Cary Raditz	Finance Specialist
Tony Marsh	Coffee Processing Specialist

ISTI Short-Term Consultants (1992-93):

Philip Resta	Coffee Marketing Specialist
Richard Greene	Management Specialist
James McDade	Management Specialist
Beshir Rasses	Market Specialist
Frank Cajthaml	Accounting Specialist

Peace Corps Volunteers (1992-94):

Shauna Blanchard	Cooperative Technical Assistant
Andrew Clapham	Cooperative Technical Assistant
Ted Johnson	Cooperative Technical Assistant
Ellen Weinreb	Cooperative Technical Assistant
Christopher York	Cooperative Technical Assistant
Mike Carney	Cooperative Technical Assistant
Marissa Parente	Cooperative Technical Assistant
Greg Russell	Cooperative Technical Assistant
David Sablatura	Cooperative Technical Assistant
Keith Sandbloom	Cooperative Technical Assistant
Robin Towsley	Cooperative Technical Assistant

DFM Assessment Team (1992-94):

Ronald Oakerson	Team Leader/Institutional Analyst
Paul Libiszowski	Accounting Specialist (1993)