AGRICULTURAL POLICY ANALYSIS PROJECT, PHASE II

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IMPROVING THE EFFECTIVENESS
OF AGRICULTURAL POLICY
REFORM IN AFRICA:
THE POLITICS OF AGRICULTURAL
POLICY REFORM IN CAMEROON

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PREFACE

During the past decade policy reform has become a valuable tool in efforts by the U.S. Agency for International Development (A.I.D.) to improve the contribution of agriculture to the physical and economic well-being of developing nations. The success of reforms requires not only rigorous economic analysis and extensive host country collaboration, but also strategic implementation. To perform effectively in the design and implementation of policy dialogue and adjustment-related programs, A.I.D. field officers as well as their host-country counterparts must be familiar with the repertoire of strategic and political issues that affect the reform process.

The Bureau for Research and Development's Agricultural Policy Analysis Project, Phase II (APAP II) has been a key vehicle through which A.I.D. has developed practical insights for the initiation, implementation and sustainability of agricultural policy reform. In addition to highlighting issues like these, APAP II has developed practical tools and methods for agricultural policy analysis and implementation in developing countries.

The "Improving the Effectiveness of Agricultural Sector Policy Reform in Africa" research project was funded by the Africa Bureau of A.I.D. (AFR/ARTS/FARA) under a buy-in to APAP II, in an effort to improve the quality of policy reform efforts. The specific objectives of this activity have been (1) to gain better understanding of the political and socio-cultural factors that explain the success and failure of agricultural policy reform programs and projects in Africa; and (2) to develop a set of guidelines and training materials that will enhance the ability of A.I.D. staff and host country officials to effectively incorporate political and socio-cultural analysis into the design and implementation of agricultural policy and institutional reform programs and projects.

The role of policy leadership, the political impact of key technical assistance staff, and strategies for institutional change were examined in a range of countries and contexts using a common analytical framework. Field studies were conducted in Côte d'Ivoire, Mali, and Zambia, and desk studies examined Cameroon, Ghana, Madagascar, and Malawi.

This document is but one component of the research reports produced under the "Improving the Effectiveness of Agricultural Sector Policy Reform in Africa" task.
The complete corpus of documents include:

Improving the Effectiveness of Policy Reform in Africa: A Synthesis of Lessons Learned, by Nicolas Kulibaba and Catherine Rielly;

Improving the Effectiveness of Policy Reform in Africa: Training Manual for Agricultural Development Practitioners, by Catherine Rielly and John Tilney;

Improving the Effectiveness of Policy Reform in Africa: Training Module by Catherine Rielly and John Tilney;

Improving the Effectiveness of Policy Reform in Africa: Cocoa Marketing Reform in Ghana by Nicolas Kulibaba;

Improving the Effectiveness of Policy Reform in Africa: Marketing Reforms in Malawi by Nicolas Kulibaba;

Improving the Effectiveness of Policy Reform in Africa: Maize Marketing Reform in Zambia by William Levine and Charles Stathacos;

Improving the Effectiveness of Policy Reform in Africa: Cereals Market Policy Reform in Mali by Ismael S. Ouedraogo and Carol M. Adoum;

Improving the Effectiveness of Policy Reform in Africa: Rice Market Liberalization in Madagascar by Catherine Rielly;

Improving the Effectiveness of Policy Reform in Africa: The Politics of Agricultural Policy Reform in Cameroon by Catherine Rielly;

Improving the Effectiveness of Policy Reform in Africa: The Politics of Agricultural Policy Reform in Côte d'Ivoire by Jennifer A. Widner with Atta Brou Noel.

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EXECUTIVE SUMMARY

This case study analyzes the political dimensions of fertilizer, pricing, and marketing reforms in Cameroon, focusing on how the *political process* contributes to the success or failure of reform. This study examines the following reforms:

- Fertilizer Sub-sector Review Program (FSSRP), 1985-Present;
- Liberalization of export crop (cocoa, robusta and arabica coffee) pricing in 1989 and 1992;
- Liberalization of export crop marketing and parastatal (ONCPB) reform, 1988-Present.[1]

The study follows a common analytical framework developed for all the field studies of this research effort. Agricultural policy reform is conceptualized as a three-phase process: initiation/adoption, implementation, and sustainability. For each phase of reform, the analysis addresses four levels of political interactions:

- Coalitions and mass political pressure
- Donor-government relations
- Political elite and factions
- Bureaucratic interaction

During the 1970s and early 1980s, donors showcased Cameroon as a rare success story of agricultural growth in Africa. Conditions in the international and domestic economy in the mid-80s arrested Cameroon's outstanding performance. By the end of the decade when the economy had fallen into deep crisis, donors pushed Cameroon to reduce state control over the economy, and alter its agricultural policies, in particular. Donors paid special attention to ending the government monopoly on marketing and pricing of both export crops (cocoa and coffee) and agricultural inputs, especially fertilizer.

To date, fertilizer reforms have been much more successful in ending inefficient government-controlled practices than export crop reforms. Notably, with donor assistance, the Cameroonians dismantled the public monopoly on fertilizer, built a new institutional structure,

[1]In the interest of brevity and depth, this desk-based case study does not analyze marketing reforms of arabica coffee which were fully liberalized with USAID assistance by early 1993. For a discussion of arabica coffee reforms, see Gellar et al, *An Institutional Analysis of the Production, Processing, and Marketing of Arabica Coffee in the West and North West Provinces of Cameroon*, 1990.

and transformed the distribution structure into a "quasi-market" system[2] in less than two years time. In contrast, liberalization of cocoa and coffee exports has been a slow, protracted process. By mid-1993, after five years of negotiation with donors about export crop reforms, the state was still heavily involved in the marketing and pricing of cocoa and coffee.

This study addresses the question of why fertilizer distribution has been liberalized while export crop commercialization has, at best, been partially reformed. This case study focusses most on one possible explanation for these divergent reform outcomes: the response of policymakers, Cameroonians and donors, to political opportunities.

What is interesting about this case study is that it reveals that **in spite of** obstacles imposed by the patronage-based political system, reform has occurred in Cameroon. This comparative analysis shows how in the case of fertilizer—donors and Cameroonian technocrats strategically managed the successful reform in several clever ways. First, donors anticipated opposition and designed a program to persuade potential losers to join the reform camp. Second, the design of the fertilizer program in tranches provide an institutional means for the government to make a commitment to liberalization. Third, access of foreign advisers to Cameroonian technical staff and private sector actors improved implementation process by ensuring that reform conditions were reasonable and adjusting them, as needed. Fourth, Cameroonians technocrats who acted as "policy champions" generated high-level support for reform.

In the case of export crop liberalization, neither donors nor policymakers employed strategic tactics such as these to foster reform. The two accomplishments of the reforms, dismantling the marketing board and cutting producer prices, were achieved as a result of economic crises, more than strategic thinking by policymakers. Rather, donors failed to reach consensus on reform, use conditionality effectively, and design implementation in such a way that generated public commitment to reform. Furthermore, Cameroonian policymakers diminished the reforms chances for success when they failed to inform farmers about policy changes, send clear signals to the private sector, and sequence reforms properly.

This analysis aims to use the lessons which emerge from the fertilizer case to suggest how the problems with marketing and pricing reforms could have been minimized. In doing so, donor strategies are recommended which are likely to foster positive agricultural policy outcomes even in uncongenial political environments.

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[2]The current system is a "quasi-market," rather than a "true" market for several reasons. First the manager of the reform process is a public official from the Planning Ministry. Second, interest rates for import and distribution loans have been subsidized. Third, AID has been intensely involved in the new system (Blane et al 1991).

1. INTRODUCTION AND BACKGROUND

During the 1970s and early 1980s, donors heralded Cameroon as a rare success story of economic and agricultural growth in Africa. In the mid-1980s, however, Cameroon's outstanding performance came to a halt. By the end of the decade the economy had fallen into deep crisis, and donors pressed Cameroon to reduce state control over the economy and to alter its agricultural policies. Donors placed special emphasis on ending the government marketing monopoly and regulated pricing of both export crops (cocoa and coffee) and agricultural inputs, including fertilizer.

To date, fertilizer reforms have been much more successful in ending inefficient government-controlled practices than have export crop reforms. With donor assistance, the Cameroonians dismantled the public monopoly on fertilizer, built a new and more efficient institutional structure, and transformed the distribution network into a market-oriented system with few government interventions in less than two years.[3] By contrast, liberalization of cocoa and coffee exports has been a slow and protracted process. By mid-1993, after five years of negotiation with donors over export crop reforms, the state was still heavily involved in the marketing and pricing of cocoa and coffee. Furthermore, liberalization of pricing and marketing has become a condition for a World Bank loan scheduled for disbursement in 1994-95.

Why has the fertilizer market been successfully liberalized while the export crop market has been only partially reformed? This study of the politics of agricultural policymaking in Cameroon addresses this question.

This case study focuses on one possible explanation for these divergent reform outcomes: the response of Cameroonian policymakers and donors to political opportunities. The analysis builds on the work of Grindle and Thomas (1991), who sought to explain how policymakers can use politics to enlarge *policy space*, defined as room for decisionmakers to maneuver and influence reform initiatives.[4] This **positive** view of politics and political actors as facilitating reform departs from the emphasis of most of the recent literature on the political economy of Cameroon, which emphasizes how politics constrains reform. For example, van de Walle writes that "the negative synergy between state capacity and patrimonialism" dooms policy reform in Cameroon to failure. This pessimistic view is consistent with much of the analysis of policymaking in Sub-Saharan Africa, which casts politics in a negative light.[5]

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[3]Writings on the fertilizer reform program refer to the newly liberalized system as a "quasi-market" rather than a "true" market (Blane et al 1991; Truong 1989; Truong and Walker, 1992).

[4]According to Grindle and Thomas (1991), *policy space* is determined by the ability of a regime and its political leadership to introduce and pursue a reform measure without precipitating a regime or leadership change or major upheaval and violence in the society, or without being forced to abandon the initiative.

[5]For example, David Gordon's recent study of *Reform Sustainability in Sub-Saharan Africa* (1993) gives more attention to political decay than to political dynamism.

What is most instructive about this case study is that reform has been effectively implemented in Cameroon **in spite of** obstacles imposed by the country's patronage-based political system. This analysis shows how, in one case, the proponents of fertilizer marketing reform—donors and Cameroonian technocrats--expanded the policy space for successful reform in several clever ways.

First, donors anticipated opposition and designed a program to persuade potential losers to join the reform initiative. Second, the design of the fertilizer program in tranches provided an institutional mechanism for the government to make committed steps toward liberalization at politically acceptable speed. Third, access of foreign advisers to the senior Cameroonian technical staff of the presidency and to private sector actors ensured the dialogue necessary to ensure that reform conditions were economically and politically worthy of support or responsive to changing political realities. Fourth, Cameroonian technocrats who acted as "policy champions" generated high-level support for reform. All of these factors widened the policy space for reform.

In the case of export crop liberalization, neither donors nor policymakers used an effective strategy to foster reform. The two accomplishments of the reforms, dismantling the commodities marketing board and cutting producer prices, were as attributable to economic crisis and collapse of management structures as they were to pragmatic thinking by policymakers. Rather, donors constricted policy space when they failed to reach consensus on reform, use conditionality effectively, or design implementation so as to generate public commitment to reform. Furthermore, Cameroonian policymakers diminished policy space when they failed to inform farmers about policy changes, send clear signals to the private sector, or sequence reforms properly.

This case study examines the lessons that emerge from the fertilizer reforms to suggest how the problems with marketing and pricing reforms could have been minimized. In doing so, the study identifies donor strategies that are likely to foster positive agricultural policy outcomes even in uncongenial political environments.

This case study has four parts. Part I discusses some of the important political and institutional factors that provide background to the economic reform initiatives. Part II analyzes the political dimensions that contributed to the outcome of the fertilizer reform program. Part III examines political factors that motivated the outcome of export crop pricing and marketing reforms. Taken together, the study interprets agricultural policy outcomes at four political levels: (1) donor-government relations, (2) political elite, (3) bureaucratic interaction, and (4) mass political pressure. The case study concludes with recommendations for donors and technical assistance personnel, derived from the divergent outcomes of fertilizer and export crop marketing reform initiatives.

1.1 From Success Story to Economic Crisis

International donors considered Cameroon an African success story during the 1970s and the first half of the 1980s (see Table 1). Real GDP grew at a rate of 7.4 percent during the 1970s and accelerated to a rate of 10 percent between 1978 and 1985. Cameroon's economic performance has been attributed to its natural resource endowment, which includes rich agricultural land and petroleum, and to the cautious management of the nation's economy throughout the 1960s and 1970s. Between 1960 and 1978, the agricultural sector was the major contributor to economic growth and had a 75-percent share of exports.

A second factor that contributed to the country's success was its unusual political stability, at a time when coups d'etat commonly occurred in neighboring countries.

Since 1986, Cameroon has fallen into a deep economic and financial crisis. Between 1986 and 1991, GDP growth has been negative, -4.1 percent per annum, on average. The crisis was precipitated by a sharp fall in world market prices for the country's principal exports (oil, cocoa, and coffee), and further exacerbated by a sustained fall in the value of the US dollar against the CFA franc. (Most Cameroonian exports are dollar-denominated transactions.) By 1989, the agricultural terms of trade were one-half of their 1985 level (Ntangsi 1991).

With oil sector output projected to decline rapidly during the next several years, Cameroon's economy must once again rely on agriculture to provide the major impetus for sustained economic growth. Adequate macroeconomic and agricultural sector reforms that provide incentives to farmers will be a necessary condition for sectoral growth.

Yet, there are serious doubts whether agriculture can resume its role as the "engine of economic growth." Overall agricultural growth has been on a downward trend. Between 1988-89 and 1991-92, agricultural growth was negative—on average 4.5 percent per annum. All growth in cocoa and coffee production has been from expansion of land area under cultivation rather than higher yields. Since the advent of Cameroon's economic crisis, production of traditional agricultural exports, especially robusta and arabica coffee, and cocoa, has stagnated (see Table 2). Although there is significant potential for future improvements in productivity of these crops, political and institutional barriers remain to realizing improved output. Yield levels of coffee and cocoa are three to four times lower than available technology would permit.

Heavy taxation of cocoa and coffee has created price disincentives for farmers, and therefore at least partially accounts for the stagnation in export output. Low producer prices have also spurred labor migration out of agriculture. The average age of cocoa farmers as well as plantations is over 40 years, and replanting rates are low. Farmers are reportedly abandoning export crop production, turning instead to the production of food crops such as maize and tubers, and *cultures maraîchères,* or garden vegetables.

1.2 History of Structural Adjustment

Confronted with declining terms of trade, Cameroon unilaterally launched its own structural adjustment program (SAP) in 1986, without recourse to the international financial institutions. In the absence of a unified constituency and compensatory resources, this effort failed. Subsequently Cameroon sought support from the International Monetary Fund (IMF), through a standby arrangement approved in 1988, and the World Bank, through a structural adjustment loan (SAL) approved in 1989. The SAL sought to bring about internal adjustment and focused on: (1) liberalization of trade, prices, and marketing; (2) public sector and parastatal reform; (3) restriction of public sector expenditures; (4) revision of labor, investment, forestry, and cooperative legislation; and (5) reform of the civil service. Two of the three SAL tranches have been disbursed. The third has not been released because of the government's failure to adhere to conditionality, particularly its lack of sufficient progress on civil service reform.[6]

1.3 Existing Institutional and Policy Framework

The marketing, pricing, and fertilizer reforms involve the complete restructuring of the policy and institutional framework that has been in operation in Cameroon nearly since independence in 1961 and, in some cases, since the colonial period. It is necessary to briefly examine the historical basis for this framework. Like many of its francophone neighbors, two central features characterize Cameroon's policy framework: (1) direct, extensive intervention in the production and distribution of goods and services, and (2) a system of incentives, controls, and practices that have produced widespread distortions in the country's macroeconomic, institutional, and regulatory environment.

After independence, state intervention was significantly extended, based on the leaders' beliefs that such intervention was necessary for rapid development. A vast array of public enterprises and parastatal institutions was created for the production and distribution of goods and services. A number of economic and ideological factors—both internal and external—contributed to the original rationale for the creation of parastatals. First, the state considered a number of sectors that serve the national interest to be strategic, and therefore, that they should not be left to the private sector. Second, state and donor officials considered Cameroon's private sector to be still at an embryonic stage and therefore incapable of mobilizing the capital, technology, and management skills required for investment.

[6]In a first step, the government reduced civil service wages and allowances equivalent to about 20 percent of the wage bill in January 1993. However, despite these measures a substantial financing gap remains.

Table 1: Cameroon Cocoa, Coffee Robusta, Coffee Arabica Production and Prices (Production in 000 MT and Prices in CFAF/Kg)					
	1960-70	**1970-77**	**1978-88**	**1988-89**	**1989-90**
Cocoa					
Av. Annual Production	87.2	107.2	116.9	104.4	115.0
Av. Annual Producer Price	68.7	109.2	349.0	435.0	250.0
Av. Annual FOB Price	134.2	274.5	770.9	527.1	432.4
Producer Price/FOB Price (%)	51.2	39.8	45.3	82.5	59.0
Robusta Coffee					
Av. Annual Production	42.8	63.1	84.3	103.3	100.0
Av. Annual Producer Price	107.4	140.0	370.0	455.0	175.0
Av. Annual FOB Price	154.0	337.3	857.5	501.6	403.9
Producer Price/FOB Price (%)	69.7	41.5	43.1	90.7	43.3
Arabica Coffee					
Av. Annual Production	17.6	26.6	21.8	21.7	20.0
Av. Annual Producer Price	180.8	206.6	409.0	497.5	250.0
Av. Annual FOB Price	223.9	405.0	896.0	763.2	610.0
Producer Price/FOB Price (%)	80.7	51.0	45.6	65.2	41.0

Source: Ministry of Agriculture/DS; ONCPB99.9 in Ntangsi, 1991.

Table 2: Key Macro-Economic Indicators of Performance						
	1965-75	**1980-86**	**1986-87**	**1987-88**	**1988-89**	**1989-90**
GDP Growth (%) Real	2.3	8.2	4.7	13.5	2.2	2.8
Agriculture GDP Growth (%) real	4.6	1.9	7.5	2.3	1.6	5.1
Govt. Budget Surplus/Deficit (% GDP)	-	2.4	12	6.4	4.3	7.2
Current Account Balance (% GDP)	-	5.2	9.2	8.2	2.9	2.3
Agriculture Exports (% share of total)	77	35.8	42	48	49	50

Sources: IMF Article IV Consultation April, May 1990 and World Bank SAL Memorandum to Executive Directors, May 16, 1990, 1989, Annex 1, in Ntangsi, 1991.

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Third, the French ideology of *dirigisme d'etat*, management by the state, heavily influenced Cameroonian leaders. The French position stemmed from their historical belief in the political ideology of a strong state. The French legacy of state control legitimized the strong role of the Cameroonian state in agricultural development. Cameroonian government officials inherited the French bias against the private sector, considering private traders as unorganized and inefficient or as exploitative of farmers and ordinary citizens.

Fourth, the state earned revenue from parastatals. Fifth, donors encouraged the creation of parastatals at least until the mid-1970s, when they still had faith in the direct role of the state, and helped finance their operations.

In addition to these ideological and economic factors, there was a powerful political motivation to expand the existing institutions and create new ones. These public and parastatal institutions have been used as mechanisms to deliver patronage to elites who are most likely to challenge the regime's legitimacy, as discussed below.

1.4 Political Basis of Agricultural Policymaking

One important factor in Cameroon's poor recent agricultural performance has been that political concerns have dominated considerations of economic growth and general welfare. At independence, President Ahidjo established a system of governance based on maintaining the balance of power among the nation's diverse ethnic, religious, and linguistic groups through political patronage (see Table 3). The system delivered state resources and rent-seeking opportunities to elites through the expansion of the state into the economic arena.

By the mid-1970's, Ahidjo had eliminated all significant opposition to his rule by giving access to state resources to traditional and modernizing elites in all parts of Cameroon (van de Walle 1992). This produced remarkable political stability, which his successor, President Paul Biya, could not sustain. In 1982, when Biya succeeded Ahidjo, he inherited this political patronage system, but he did not have Ahidjo's personal power and political skills to manage it. Several months after voluntarily handing over the political reigns to Biya, Ahidjo sought to return to power and displace his hand-picked successor. While Biya eventually won out, he paid a tremendous price in terms of delivering economic benefits to his supporters (van de Walle 1992). Given that his hold on political power was precarious, Biya could not afford to exert as tight a control over resources as Ahidjo.

Consequently, although he first presented himself as a liberal reformer, he expanded the patronage networks even further to his own ethnic group, the Beti, on whom he relied for political support. Under Biya, these patronage networks became more sharply defined along ethnic lines. Political clans led by prominent politicians from Biya's native South Province, the "Beti Barons," were alleged to have increased the amount of rent-seeking, corruption, and patronage beyond the levels that Ahidjo had ever allowed (van de Walle 1992).

Thus, agricultural policymaking in Cameroon has tended to be concentrated in the hands of a small group of powerful elites who shape policy to reflect their vested interests. The state has traditionally used the agricultural budget to secure its political power, and agricultural programs, projects, and institutions have traditionally been important channels for delivering patronage to elites.

Political imperatives partially explain why policymakers have chosen to adopt pricing and other policies that have had such a negative impact on agricultural output. One explanation for the taxation of the peasantry and the overall shift of spending away from agriculture, is that agricultural rents were a readily available source of revenues for patronage.

The presidency has increased in prominence as the power broker in the Cameroon political system; it retains the last word in all important policy decisions. The presidency essentially consists of the president and his staff, which includes the secretary general, the director of the civil cabinet, ministers with special duties, technical advisers, and *charges de mission* (Ntangsi 1989). Created by Ahidjo in the early 1960s, the secretary general was initially intended to coordinate the activities of the bureaucracy and to inform the president. Increasingly, however, the president used the secretary general to exercise tight control over policy and the bureaucracy.

The concentration of power in the presidency has damaged recent efforts to implement policy reforms. While government ministries are technically responsible for policy implementation, the presidency has complete freedom of action. There is no independent legislature or judiciary.

1.5 Multipartyism

Cameroon's economic decline coincided with difficult political changes accompanied by periods of social unrest and civil disobedience in 1991, 1992, and following the first multiparty presidential election in October 1992 (see Table 4). Popular protests have been pressuring the President to move from a highly centralized one-party state toward a more pluralistic, democratic system. By 1991, more than 30 political parties had formed.

The first multiparty presidential election took place in October 1992. President Biya proclaimed that he had won the election, but this result was contested heavily by many who claimed election fraud. Official election observers of the National Democratic Institute (NDI) contested this result and declared the Anglophone candidate from the SDF party, John Fru Ndi, the winner. The United States cut off aid to Cameroon as a result of the election fraud, and as of mid-1993 funding for new projects was still suspended.

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Table 3: Cameroon's Rulers and Their Regimes: 1960 - Present				
Leader/Party/Rise to Power	Year	Regime type	Political Events / National Policies	Foreign Policies
Ahmadou Ahidjo (UNC)[a] *Elected in 1960, 1970, 1975, and 1980.*	1960 - 1982	Single-party system. Unitary state. Moderate Socialism.	Pursued policy of national unity whereby federal services assumed greater responsibilities[b] (1961-71). Electorate approved new constitution which created unitary state and centralized the government[c] (1972). Announced constitutional change restoring office of Prime Minister. Hand-picked Paul Biya as new prime minister (1975).	Established diplomatic relations with socialist countries[d] through policy of nonalignment. (1972-82) Revised 1960 Cooperation agreement with France and withdrew from OCAM.[e]
Paul Biya (UNC, RDPC[f] *Invested power upon Ahidjo's resignation. Ahidjo remained head of UNC until 1983.* *Elected 1984 (as sole candidate), and 1988 (as sole candidate).*	1982 -	Single-party system.	Dismissed four strategically-placed ministers which began rift with Ahidjo. Biya asserted supremacy forcing Ahidjo to resign chairmanship of UNC. Biya elected chairman at UNC congress (1983). Crash in world oil prices (1986) help to create economic crisis (1987-88). Negotiated loans with IMF for a medium-term stabilization program (1988). Formed elite police unit which suggested government would continue to repress dissents (1989). National assembly approved constitutional amendment establishing multi-party system. No time table, was specified (1990).	Officially visited France and Britain (1985). Restored diplomatic relations with Israel (1986). Pursued initiatives aimed at securing his country's membership of the Commonwealth (1990).

[a] Union National Camerounaise.
[b] Particularly in the areas of agriculture, education, economic planning, finance, and transportation.
[c] This ended what was left of state governments and local autonomy. Under the new arrangements, there was to be a strong executive president, a national executive council of ministers responsible to the president, a unicameral national assembly and a completely centralized administrative system.
[d] Vietnam, Cambodia, and China.
[e] Francophone African organization.
[f] In 1985, Biya renamed the UNC as the Rassemblement Democratique du Peuple Camerounais (RDPC).

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Table 4: Poiitical Protests in Cameroon: 1979 - 1991			
Event & Date	**Participants**	**Causes**	**Resolution**
Coup Conspiracy *July 1979*	Group of NCOs.		
Uprising *October 1979*	Inhabitants of Dolle.		Crushed with considerable severity.
Increase in Clandestine Opposition Activity *1979*	South western and western political elements.	Dissatisfaction with Ahidjo's autocratic rule.	
Increase in Anti-government Literature [a] *1979*	Anglophone students & intellectuals abroad.	Dissatisfaction with Ahidjo's autocratic rule.	
Coup Plot Uncovered *August 1983*	Close friends of Ahidjo.	Trial proceedings alleged that Ahidjo had been enraged by Biya's reshuffle in June and instructed his aides to eliminate Biya by any means available, including assassination.	(1) Prime minister and minister for the armed forces, both northern Muslims, were dismissed (8/83). (2) Military men[b] placed on trial with Ahidjo, who was tried *in absentia*, and death sentences were passed for all (2/84). Biya commuted the sentences to life imprisonment (3/84).
Coup Attempt *April 1984*	Faction of the elite Republican Guard.[c]	Dissatisfaction with Biya's rule.	(1) Instigators were quickly brought before a military tribunal, and death sentences on 46 of the plotter were carried out within hours. (2) 100 prisoners were detained.
Yondo Black[d] **Arrested** *Feb. 1990*	Yondo Black	Yondo Black, together with a group of people, attempted to form a political organization.	(1) Most defendants received custodial sentences. (2) Released 100 prisoners who were detained after 1984 Coup to strengthen national unity. (3) Pro-RDPC mass rallies were organized (3/90).
Inaugural Rally of Opposition Movement[e] *May 1990*	John Fru Ndi and supporters.		(1) Security forces raided inaugural rally in Bamenda.
Clash at University *May 1990*	Students.	Anglophone students at the University of Yaounde clashed with participants in a counter-demonstration.	About 300 students were detained by security forces.

Table 4: Political Protests in Cameroon: 1979 - 1991

Event & Date	Participants	Causes	Resolution
Publication Banned *May 1990*	Cameroon Post.[f]	Cameroon Post had implied its support for the FSD.	
Lawyers Strike *July 1990*	Lawyers.	Legislation was proposed to restrict the activities of law associations.	(1) Black, together with several other political prisoners, was released. (2) Plan to legislate against lawyers' groups was abandoned.
Demonstration *Jan. 1991*		Biya's failure to grant an amnesty to prisoners implicated in the 1984 coup attempt.	
Rioting After Journalists' Trial *Oct. 1991*	Journalists.	Journalists were tried for printing an article critical of Biya.	Journalists were fined and given suspended sentences.
Demonstrations / Unrest *April 1991*		Biya continued to resist holding a national conference at which all political interests would formulate a timetable for multi-party elections.	(1) Riots were violently suppressed by security forces. (2) National assembly granted general amnesty to all political prisoners excluding those imprisoned for non-political offenses. (3) A transitional government[g] was introduced.
Student Protests *May 1991*	Students at University of Yaounde.	Students protested the refusal of the government to set a date for the national conference.	(1) The university was closed. (2) More than 200 students were detained.
Campaign of Civil Disobedience[h] *May 1991*	NCCOP[i] initiated.	The continuing refusal of the government to set a date for the national conference.	(1) Seven provinces placed under military rule (5/91). (2) Government prohibited meetings of opposition leaders (6/91). (3) Biya banned the NCCOP on grounds that it was resorting to terrorist activities (6/91).

[a] Cameroons abroad demanded a return to the federal system
[b] Maj. Oumarou Ibrahim and Cap. Adamou Salatou.
[c] Formed by Ahidjo to ensure presidential security.
[d] Former president of the country's bar association.
[e] FSD (the Front Social-democrate) led by John Fru Ndi, received support from prominent writers and lawyers.
[f] An independent weekly.
[g] The transitional government was overwhelmingly comprised of members of the former cabinet.
[h] This included a two-day general strike and a 'day of national mourning.'
[i] National Coordination Committee of Opposition Parties.

Biya's handling of the elections has further weakened his credibility. Without a broad base of support, he lacks real autonomy vis-à-vis state elites, and thus could not effectively seek a mandate for rapid political reform (van de Walle 1993). Political reform and more transparent economic policymaking threaten the patronage-based stability of his regime.

A regime change and greater democratization in Cameroon may result in the de-politicization of management and therefore greater accountability and transparency. The SDF has pledged to limit the role of the public sector, and its leader, Fru Ndi, seems more likely than Biya was to support economic liberalization and oppose government intervention than was Biya. Fru Ndi has been described as a "self-made" businessman with a "private sector mentality," a change from the statist orientation of Biya. Furthermore, with a wider-based political mandate supporting him, composed of francophones and anglophones, it is more likely that Fru Ndi will be able to successfully assemble a consensus behind reform efforts.[7]

1.6 Specific Reforms to Be Analyzed

This case study analyzes the following reforms:

- Fertilizer Sub-Sector Review Program (FSSRP), 1985-present
- Liberalization of export crop (cocoa, robusta and arabica coffee) pricing in 1989 and 1992
- Liberalization of export crop marketing and parastatal (ONCPB) reform, 1988-present.[8]

For analytical purposes, the reforms are divided into initiation and implementation phases, which are presented in Table 5.

[7] Although it is still difficult to obtain accurate statistics on the linguistic and regional vote breakdowns for the presidential election, it has been estimated that 60 percent of his support came from the Francophone region of the country, and that Biya received very little support from Anglophones.

[8] In the interest of brevity and depth, this desk-based case study does not analyze marketing reforms of arabica coffee, which were fully liberalized with USAID assistance by early 1993. For a discussion of arabica coffee reforms, see Gellar et al., *An Institutional Analysis of the Production, Processing, and Marketing of Arabica Coffee in the West and North West Provinces of Cameroon*, 1990.

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Table 5: Phases of Agriculture Policy Reforms

Types of Reform	Initiation	Implementation
Fertilizer	1985-87	1987-present
Pricing: Phase I	1988-89	1989
Pricing: Phase II	1990-92	1992-93
Pricing: Phase III	1992	1994-95 (expected)
Marketing: Replacement of ONCPB with ONCC	1988-89	1990
Marketing: Total Liberalization of Marketing	1990	Ongoing

2. FERTILIZER SECTOR REFORMS

Fertilizer reforms in Cameroon have served as something of a test case for privatization, as advocated by donors, and stand out as an unusual example of successful agricultural policy reform in Sub-Saharan Africa. Thus, the Cameroon fertilizer experience is particularly interesting to USAID.

2.1 Inefficiency of Public Fertilizer Monopoly

Until 1987 the public fertilizer monopoly, managed by the Ministry of Agriculture and FONADER (the rural development credit agency), financed, imported, and distributed subsidized fertilizer in Cameroon. This system created inefficiencies as well as considerable scope for corruption in awarding contracts (Truoung 1989). FONADER, the financing and contracting agent, had in the past been used as a mechanism to deliver patronage benefits to supporters of the regime, as evidenced by a series of scandals involving defaults on FONADER loans by government elites and members of their families in the early 1980s.

The protracted procedure for issuing a public tender, reviewing bids, and awarding contracts involved several ministries and thus created wide scope for the exercise of bureaucratic discretion (Truoung 1989). Furthermore, political pressure to divide up contracts among numerous suppliers led to suboptimally small contracts and awards to higher-priced bidders. The result was inefficiency, due to failure to take advantage of economies of scale, as small contracts compelled importers to pay high freight rates, because freighters were not fully laden (Truoung 1989). Thus, political factors interfered with the establishment of soundly integrated and cost-efficient business practices.

The entrenched political elites' interests in maintaining the benefits that the public system offered presented a significant challenge to reformers. Yet reformers, Cameroonian policy champions, and donors alike, were able to circumvent these political obstacles and use politics to their advantage. The discussion below explains how they spearheaded reform despite the uncongenial political atmosphere.

2.2 Reform Initiation

2.2.1 Role of the Presidency in the Initiation of Reforms

Economic crisis and the inefficiency of the fertilizer distribution system had a critical impact on president Biya's decision to break up the state fertilizer monopoly. In 1985, when it became clear that fertilizer distribution was not working effectively, the Ministry of Agriculture asked USAID/ Cameroon to conduct a comprehensive study of the fertilizer subsector. The result was a study by the International Fertilizer Development Center (IFDC), which recommended the creation of a new public-private joint venture monopoly to whom a subsidy would be paid. In spite of this recommendation, mid-level government administrators argued for the retention of the public monopoly.

By 1987, two factors convinced senior government officials that Cameroon could not afford to support its fertilizer policy throughout the financial crisis: the growing subsidy level and the inefficiency of fertilizer imports and distribution. In that year, the government paid $18.8 million in fertilizer subsidies, 63 percent of the total cost.[9] At such a high subsidy level, fertilizer consumption had increased by 22 percent between 1980 and 1985, and indications were that it would continue to increase (Oakerson et al. 1990). Thus despite the other options preferred by government officials and outsiders alike, the gravity of the crisis necessitated the end of the state monopoly and the start of privatization. In addition, the public

Description of Schematic Diagram:
Initiation of Fertilizer Reform

Schematic diagrams (Figures 1 and 2) will be used to map out the dynamic forces influencing the initiation and implementation stages of fertilizer reform. Figure 1 represents a dynamic model of "The Political Economy of Rice Reform: Initiation Phase 1." The boxes in this schematic diagram represent the key political actors: (A) the presidency (consisting of the president and his top advisors), (B) French and American donors and foreign technical advisors, (C) the political elite and technocrats, including policy champions (a subset of both the political elite and technocrats) (D) agricultural producers, (E) French commercial interests. The arrows depict the interactions among the key political actors in a crisis environment, and are numbered for easy reference. The thickness of the arrows illustrates the relative importance of each influence on the outcome of reform.

The schematic diagram illustrates that converging interests
(arrows 1, 2, 3, and 4) catalyze reform by influencing the Presidency, represented by the box at the center of the diagram.

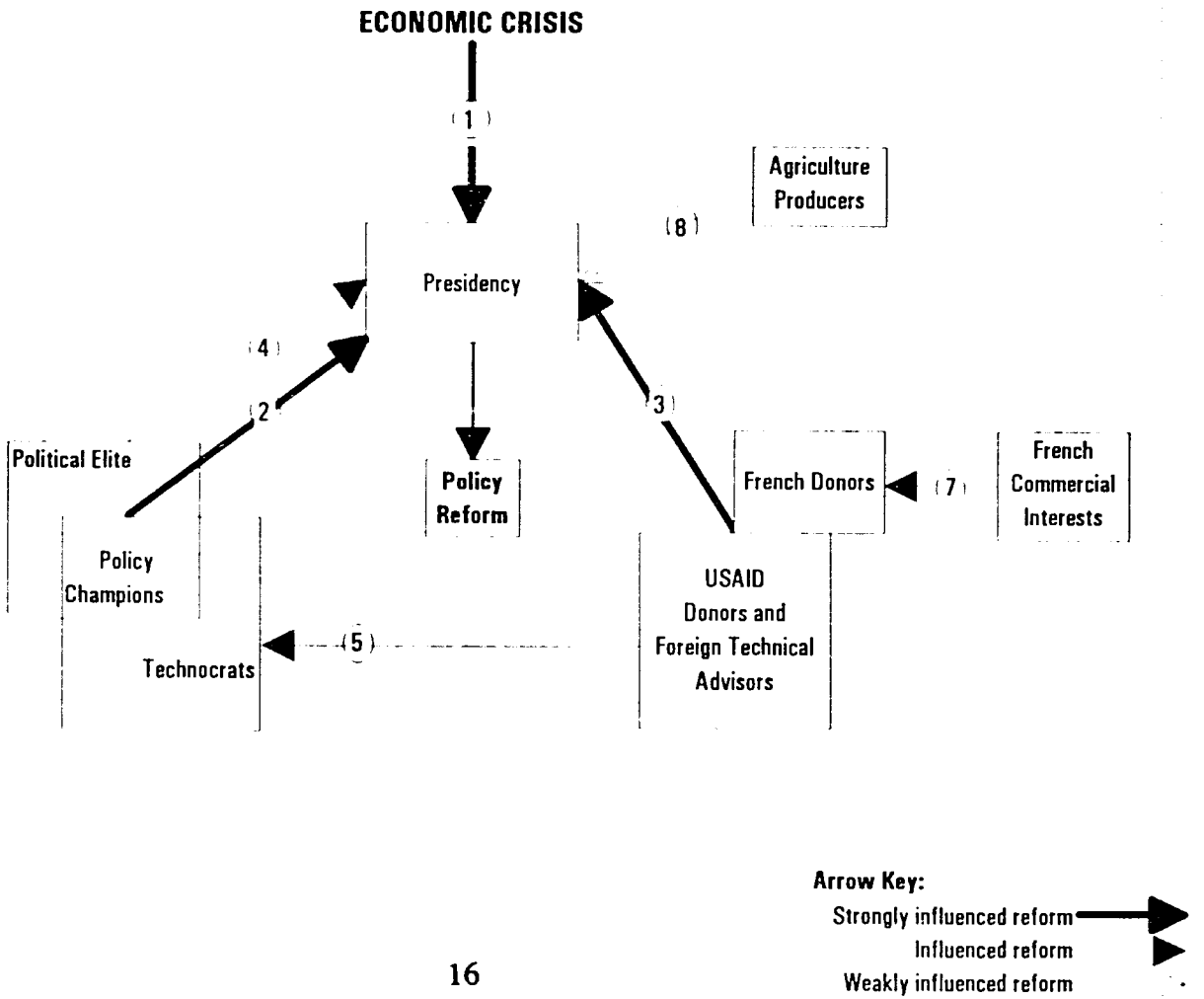
Key factors driving reform initiation (represented by arrows) are:

- Arrow 1-influence of economic crisis on the Presidency;
- Arrow 2-influence of policy champions on the Presidency;
- Arrow 3-influence of donors, foreign technical advisers, and conditionality (including the staged release of funds) on the Presidency.

Agricultural producers (dotted arrow 8) played a much weaker role in the initiation process than the other political players.

[9]Farmers, who paid only FCFA 45 per kilogram, received a subsidy of FCFA 75 per kilogram.

Figure 1: Political Economy of Fertilizer Reform: Initiation Stage



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monopoly of fertilizer import and distribution had become increasingly inefficient; imports were erratic, often unavailable to farmers in a timely fashion, and were sold at higher-than-world-market prices.

Thus the crisis condition of the economy in 1987 created a political environment that was conducive to reform. At that moment, the president's political interest in his regime's legitimacy, and its survival, was tied to his ability to manage the economic crisis. The president needed to get the budget deficit under control, and fertilizer reforms represented one step toward this goal. Furthermore, without successful reforms, the country's major export crops—an important source of government revenue and foreign exchange—would be left without a critical input. Consequently, phasing out the fertilizer subsidy and privatizing the subsector made political, as well as economic, sense.

Therefore, in this crisis atmosphere, the political and economic rationales for reform overlapped. It is unlikely that the president would have been as receptive to pro-reform donors and policy champions if Cameroon's budget were not so severely constrained. In effect, the crisis pressured the president to take immediate action on the fertilizer reforms. The crisis environment allowed donors to exert considerable influence on the government, as discussed in the following section.

2.2.2 Role of Donors and Foreign Technical Advisors

Donors' Interaction with the Presidency: Donors were able to play an important role in convincing the President to initiate fertilizer liberalization and privatization for a variety of reasons: (1) reformers provided USAID officials access to the presidency, (2) USAID employed conditionality, including the staged release of funds, and (3) they used a gradualist approach to subsidy reduction and privatization.

The political contacts and high level of commitment of the USAID Mission Director to the reform effort enabled him to negotiate effectively for the policy proposal with the secretary general and the secretary of state at the presidency. As USAID/Yaounde's first test case of donor-advocated liberalization, the fertilizer reforms were a top priority of the Mission. Thus USAID technical staff working on the policy side had high stakes in the reform's success.[10]

Donor Conditionality. Donor conditionality, including the staged release of funds, played an important role in the initiation of fertilizer reform. A.I.D. and the Cameroonian government engaged in a policy dialogue on reform of the public monopoly that procured and distributed subsidized fertilizer. The process of policy dialogue culminated in 1987 with a program agreement between USAID and the government, the Fertilizer Sub-Sector Reform Program (FSSRP).

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[10]USAID staff working on the project side were less committed to the reforms than those members working on economic policy; in fact, there was disagreement between the two groups over the importance of the reforms to the Mission's agricultural strategy.

The FSSRP involved economic liberalization, eventually leading to privatization. The first step was dismantling the public monopoly and its supporting institutional arrangements. The program called for cancellation of public procurement of fertilizer, clear pronouncement by the government that it would completely privatize the import and distribution of subsidized fertilizer, and gradual elimination of the subsidy over a five-year period. The next phase of reform involved replacing the public monopoly with a system that was sustainable, competitive, and subsidy-free by the end of the program.

Under the FSSRP, USAID agreed to supply $17 million to both support financial mechanisms and establish a revolving credit fund. A separate project agreement committed USAID to an additional $3 million in technical assistance. In return, the government agreed to immediate liberalization and progressive privatization of the fertilizer subsector over a five-year period.

The phased release of funds provided an institutional means, or "policy space," for the government to make a commitment to liberalization. Specifically, the $17-million program was divided into five installments. The first installment was to be paid upon evidence that the necessary liberalization measures had been implemented. The remaining four installments would be disbursed annually upon evidence that the liberalization, including subsidy removal, was continuing. Thus USAID used the institutional mechanism of a phased program agreement to enhance the political chances for success of the reform. As an institutional analysis of the reforms explained:

> The program agreement thus provided an institutional means by which the government of Cameroon was able to make a commitment to liberalization, with clear penalties for failure to abide by its commitment. Governments able to rule by decree suffer from the inability within their governance structure to make legally enforceable commitments by means of legislation. A bilateral relationship with another party can enable such a government to commit itself to a course of action and to submit to penalties for failure to perform as agreed. (Oakerson et al. 1990)

Thus the "tranched" nature of the program agreement stemmed potential opposition from two groups, antireform political elites and the private sector, in the following manner:

1. The rules of the program agreement insulated technocrats from political opposition in the implementation phase. The need to meet the conditions before the next tranche of funds was released diluted the strength of members of the policy elite who stood to lose from the reforms.

2. Penalties for nonperformance added credibility to the government's commitment to liberalization and thus strengthened the expectations of the private sector that privatization would actually take place

This is an example of donors thinking strategically about the best way to promote and support reform programs for a Government that could provide little evidence of being able to make credible commitments.

Gradualist Approach. USAID's strategy of adopting a gradualist approach to the policy reform made it more politically palatable to the government. Specifically, USAID negotiated for the gradual reduction of subsidies over a five-year period, rather than ending them immediately. Furthermore, USAID adopted a slow and administered approach to privatization that was more acceptable to the government.

USAID's Interaction with Technocrats. Senior USAID staff in Yaounde and the Mission Director, in particular, played a crucial role in convincing the president's top advisors to accept the reform program. Technically astute USAID staff engendered learning by technocrats at the level of the presidency (and lower levels, as well) about the importance of the reform for Cameroon's economy.

Divergent Interests Between Donors. At the reform initiation stage, USAID's interests diverged from those of the French government, which wished to maintain the fertilizer monopoly. This was because French entrepreneurs had commercial interests in supplying the fertilizer monopoly. The French entrepreneurs feared that privatization would lead to the takeover of fertilizer distribution by American companies, although USAID did not use its role in the reform to promote American commercial interests. Rather, USAID played the role of "honest broker." Importers were **not** required to buy American fertilizer. USAID took an important strategic step when it publicized this fact by briefing Cameroonians and donors on the rules of the reform process, including the fertilizer import requirements. This open policy on the source of fertilizer imports gave USAID more credibility in the eyes of the Cameroonians.

2.2.3 Role of the Political Elite and Technocrats

Political Elite's Interest in Blocking Reform. Civil servants from the Ministry of Agriculture, Ministry of Commerce, FONADER, and the Central Tender Board stood to lose the use of considerable discretion over the importation of subsidized fertilizer if liberalization succeeded. Thus it is not surprising that these potential losers from reform opposed its initiation. However, the objections of these stakeholders did not prevail at the level of the presidency. Rather, the voices of pro-reform policy champions pushing for reform initiation won out over the protests of the beneficiaries of the previous regime.

Policy Champions Encourage Reform. Several policy champions, technocrats who were also members of the top political elite, played a critical role in convincing the president to accept the reform package.[11] The Minister of Finance, whose interest in cutting the state budget coincided with reforms, was a relatively easy convert. But what was remarkable about

[11] In a governance structure such as Cameroon's, policy champions must belong to the political, as well as the technocratic, elite.

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this case was the conversion that took place among technocrats in other ministries involved in the reform process as they sought to master the principles and techniques proposed for the reform program. Bureaucrats who had spent their careers administering state control over agricultural decisionmaking were transformed into liberal policy champions just months into the reform process. One of the President's top advisors took considerable political risks to push for the reforms early on in the process when it was not clear that liberalization would work—and specifically, that fertilizer would be available to farmers on time. When the reforms worked, the political risk paid off in the form of career advancement.

2.2.4 Weak Role of Agricultural Producers

While agricultural producers stood to benefit greatly from reform, they were the weakest political players in the initiation stage. In Cameroon, farmers' interests are not represented by a class of large farmers who are able to exercise substantial lobbying power (as in Kenya and Côte d'Ivoire); in Cameroon, the average farm size is slightly less than 2 hectares. Furthermore, unlike in Côte d'Ivoire and Kenya, where urban-based elites, including civil servants and the President, own large farms and therefore have substantial agricultural interests, there is no such representation of the agricultural sector within the Cameroonian nexus of political power. Although farmers were stakeholders who stood to gain considerably from the reforms, they were unable to organize themselves as a powerful pro-reform constituency.

2.3 Reform Implementation

Successful reform implementation produced rapid and dramatic improvements in the efficiency of fertilizer marketing. In the one year it took to dismantle the public monopoly and replace it with a privatized system, the reforms cut delivery times in half, reduced in-country costs by 16 percent, and saved FCFA 4 billion in budget expenditures (Truong 1989). The forces that influenced reform implementation are illustrated in Figure 2.

2.3.1 Summary of Outcomes

Bureaucratic Interaction. USAID confronted divergent interests and commitment to the reform within the Government. While some policy elites and technocrats championed reform, others tried to maintain the old regime, while others tried to block the private sector from participating in the policy dialogue.

Role of Technocrats. In an effort to coordinate the efforts of civil servants involved in the reform, a Technical Supervisory Committee (TSC) was formed. The interministerial TSC included representatives from the Ministries of Plan and Regional Development, Agriculture, Finance, Commerce and Industry, Higher Education and Research, and the ONCPB. USAID/Cameroon participated ex officio. The TSC was not originally included in the program

or project agreement, but emerged in the process of policy dialogue when it became clear that a coordinating body was necessary.[12]

While the TSC did bring together different public players in the reform, its members were **not** all policy champions because they were not all members of the political, as well as the technical, elite. The problem was that ministries did not always send a senior—and politically powerful—representative to the committee. Consequently, several TSC members did not wield the necessary political clout to effectively convince their ministries to support the institutional changes involved in the reform.

Technocrats Attempt to Block Implementation. Not only were some members of the TSC not policy champions, but they also actually tried to block the first annual review process, as mentioned above. These bureaucrats tried to prevent private sector players from presenting their views at what was intended to be a forum for the private and public sectors. Antireformist ideology influenced these officials to try to subvert the reform effort. Believers in a *dirigiste* development strategy and the state-centered ideology from which it emerged helped to foster this anti-private sector mentality of many public officials.

The same members of the political elite who tried to hinder reform initiation tried to block the reforms from proceeding after the agreement had been signed.

Description of Schematic Diagram: Implementation of Fertilizer Reforms

Figure 2, compared to Figure 1, suggests that the implementation of policy reform was more complex than its initiation. Interest groups which did not play a role in initiation react to reforms in the implementation stage, and thus appear on the policy map.

The focal point of the schematic is the thick implementation arrow itself (arrow 1) originating from the policy reform box. Dotted arrows breaking the implementation arrow illustrate efforts to block implementation as follows:

- Arrow 7- Anti-private sector technocrats;
- Arrow 9-Policy elites who benefitted from the old regime;
- Arrow 11-Bureaucrats at the Ministry of Industrial and Commercial Development and the Ministry of Agriculture.
- The Presidency (Arrows 12 and 13) and the policy champions (arrow 10) blocked these efforts to undermine reforms.

[12]The TSC operated under the authority of the Minister of Plan, who officially represents the government in its relation to USAID within the scope of the program. In cases of disagreement between USAID and the TSC, both have recourse to the Cameroonian presidency (Oakerson et al. 1990). As discussed above, USAID did seek the support of the presidency several times when it disagreed with the TSC.

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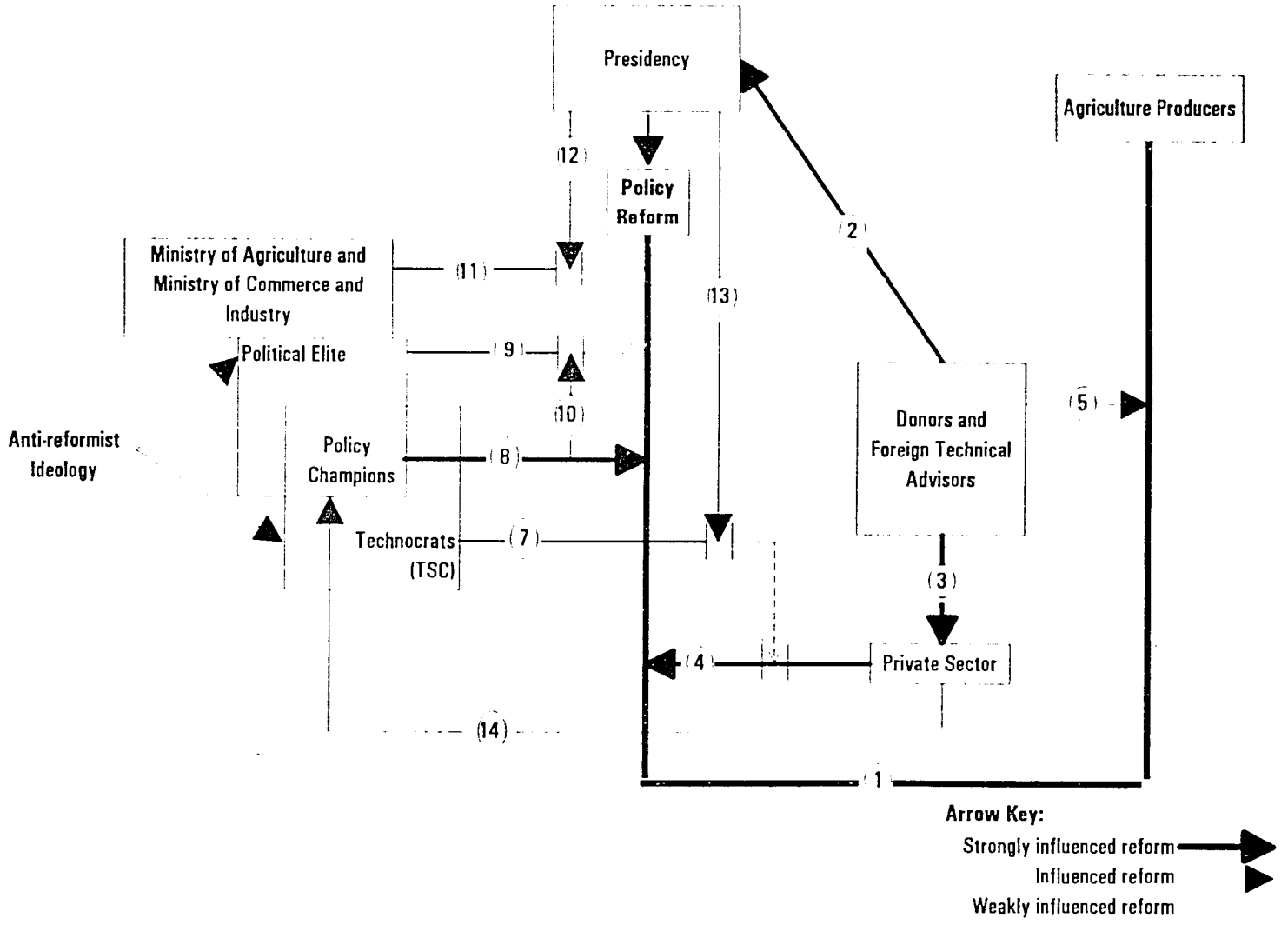
Figure 2: Political Economy of Implementation of Fertilizer Reform



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These bureaucrats from the Ministry of Agriculture and Ministry of Commerce and Industry tried to hold on to the opportunities for discretion that the previous system had afforded them.

Anti-reform sentiment was so strong in the Ministry of Agriculture that responsibility for implementation was ultimately taken away from the Ministry of Agriculture and shifted to the Ministry of Planning in 1987. Another reason for the shift was that one of the most important policy champions was Minister of Plannin at the time. This strategic move to give the reform program a supportive institutional home was critical to successful implementation. Policy champions encouraged this particular institutional design.

Policy Champions Aid Implementation Efforts. Policy champions played a critical role in the implementation stage as well as in reform initiation. Leading policymakers who were unwilling to take the political risk of backing reforms in the initiation phase became policy champions in the implementation phase when success was more certain. The support of key bankers for the new institutional regime convinced high-level officials of the Ministry of Plan to champion the reforms. What is interesting about this case is that it was private sector players who encouraged the activity of public policy champions. Essentially, it was businessmen who played a key role in catalyzing a public-private sector consensus behind the reform.

2.3.2 Donors and Access to the President

On two occasions when implementation was seriously threatened, USAID staff went directly to the President to rally support for the reforms. The most serious threat to the program was encountered when the government's Directorate of Prices, Weights, and Measures (DPWM) in the Ministry of Industrial and Commercial Development, calculated a set of administrative prices for fertilizer that would not have allowed entrepreneurs to recover costs and retain a sufficient profit margin to justify market entry. This unit's prices were much lower than those generated empirically by USAID staff, and no agreement could be reached. To break this critical obstacle to implementation, USAID staff negotiated directly with the presidency for a more realistic pricing system that would offer incentives to entrepreneurs. The meetings produced a compromise agreement based on a new concept of "target ceiling price." The idea was that each year the Government would announce a target price as a policy benchmark, not as a legally controlled ceiling, in order to accommodate the prices actually generated by market interactions. In exchange, the DPWM agreed to set the ceiling at least as high as the price generated by USAID.

The second time USAID officials were obliged to go to the presidency to break down barriers to program implementation was when the TSC tried to block private sector participation in the first annual review process. This review, a forum for public and private sector players to discuss the problems they encountered in the first year of liberalization, was a critical component of the ongoing reform process, envisioned by USAID as iterative in nature. Members of the technocratic elite, including the chairman of the TSC, tried to block private sector actors from presenting their views at the table. The bias of these bureaucrats against the private sector was deeply rooted in the French *dirigiste* ideology. The lobbying efforts of

USAID officials at the presidency were fruitful: the annual meeting did take place—with the private sector in attendance. When the meeting between private and public sector actors did take place, it illuminated successfully what had worked and what needed changing in the first year of the reform efforts. These annual reviews were considered one of the keys to the success of the project.

These examples suggest that good access of USAID officials to the presidency smoothed what would otherwise have been a rocky implementation process. But the USAID staff members pointed out that circumventing the usual decisionmaking process (the TSC) and going straight to the presidency was not a tactic they could employ often. Such political maneuvering was likely to offend host country officials represented on the TSC of which USAID was an ex officio member.

The technical capacity and drive of USAID staff in Yaounde enabled its members to play an essential role in helping the government to design the new institutional mechanism for the provision of fertilizer. Specifically, USAID advisors were instrumental in fostering private sector participation in the reform and disseminating information about credit and other rules of the game. USAID officials who participated in the reform argued that the private sector would not automatically take over control of fertilizer distribution once markets were liberalized:

> In an economy dominated by direct or indirect government control over major export sectors, the introduction of competitive market structures is not easy. Private entrepreneurs are not well positioned to take advantage of new opportunities. . . . Even if government withdrew from provision [of fertilizer], "the market" could not simply take over because no market structure exists. To build a market structure, entrepreneurs have to believe that government will back off from and stay out of direct provision, that private firms will have freedom to operate and to realize profits, and that buyers will be financially able to buy a previously subsidized product." (Oakerson et al. 1990)

The highly centralized nature of the previous fertilizer distribution system limited the development of the financial or business capacity of the private sector. Under the old regime, each private sector player performed separate contractual tasks without integration with others involved in the marketing chain. The only interaction among members of the private sector took place through FONADER, the state rural development agency. For instance, local importers did not have to negotiate with commercial banks for financing, with foreign brokers for purchase contracts, or with foreign shippers for transport contracts (Truong 1993). The private sector was given limited, discrete tasks, that precluded them from gaining an appreciation of the wider environment for fertilizer distribution (Truong 1989). All decision making and discretion resided in the public sector.

Consequently, when the system was privatized, most importers did not understand the new formal and informal institutional arrangements of the subsector, nor did they have the necessary skills to deal with banks and fertilizer producers, brokers, and users. USAID provided—and continues to provide--information and potential bank contacts to attract participation in the project by private entrepreneurs.

Encouraging Private Sector Participation: USAID staff in Yaounde attacked these obstacles to private sector participation in the new regime with great enthusiasm. USAID learned about the impediments to participation by making it a priority to engage the private sector in a policy dialogue early on (Truoung and Walker 1992). Extensive conversations were held with fertilizer importers, commercial banks, distributors, and others in the private sector. Engagement of entrepreneurs in the discussion was a critical element to understanding the constraints of the private sector. Private sector participation in the policy dialogue was a necessary condition for successful reform implementation.

What was unusual about this case was that the USAID staff involved in initiation also participated directly in implementation. USAID staff applied their skills in finance, trade, and microeconomic to improve the market conditions for private entrepreneurs. Specifically, USAID staff assisted in setting up three financial incentives aimed at inducing private sector participation: a differentiated pricing structure, a revolving credit fund, and a subsidy fund. Thus, unlike many other reform efforts, it was not necessary to bring in outside consultants to provide technical support for implementation. To redress the problem of weak capacity by private sector participants, mission staff provided support for the development of a financial and informational infrastructure undergirding the new fertilizer distribution system. In doing so, USAID worked to ensure that there was a sufficient number of players at every level to ensure competitiveness.

Diffusing Private Sector Opposition. USAID anticipated and attempted to diffuse opposition by private sector actors who had benefited from the previous policy regime. Cameroonian entrepreneurs who had profited under the administered system had trouble breaking in to the new system without financial backing. Under the old regime, these businessmen had essentially traded on their political connections to get financing, but under the new system, banks required collateral for loans. Anticipating that these entrepreneurs had enough political clout to endanger the reform, USAID sent them to a seminar on fertilizer marketing in Jamaica, ostensibly to facilitate their participation in the new regime. Strategically used "sweeteners" such as this represent useful mechanisms for donors to compensate losers and neutralize opposition to reform.

Information Dissemination. USAID made a major contribution to building the capacity of the private sector by disseminating information about the changes in the fertilizer subsector and the steps needed for participation. USAID staff set rules for access to revolving credit and subsidy funds, which are managed by a designated fiduciary bank under contract to the government. This arrangement minimized the scope for delivering special benefits to clients of the regime by removing the government from day-to-day management of the funds. USAID

pushed for this particular institutional design to ensure complete transparency in the new fertilizer distribution system. The credit fund, capitalized with USAID grant money, redresses growing liquidity problems in the commercial banking sector. The fund provides working capital at preferential interest rates to fertilizer importers and distributors.

Furthermore, USAID informed the private sector about other areas including port clearance, contract enforcements, limitations, and bank fees. The impact of these efforts has been the active participation by the private sector in financing, importing, and distributing fertilizer despite enormous institutional constraints.

3. EXPORT CROP PRICING AND MARKETING REFORMS

This section analyzes the political dimensions of initiating and implementing export crop marketing reforms, including the politics of closing the politically powerful parastatal, the ONCPB. The specific reforms the Government agreed to in the initiation stage were closing the export crop parastatal, liberalizing pricing and opening up marketing, including the purchase and export of cocoa and coffee, to private traders. While the Government assured donors that there would be "free competition" in the new liberal market in the initiation stage of reform, the discussion of implementation below argues that for political reasons the Government continued to intervene in the export crop trade.

The events leading up to both the pricing and the coffee and cocoa marketing reforms between 1989 and the present are discussed below.

3.1 Events Leading Up to Reform

Since independence in 1961, the Cameroonian state has monopolized cocoa and robusta and arabica coffee pricing and marketing through the monolithic National Produce Marketing Board (ONCPB).[13] While ostensibly created to stabilize prices and protect farmers from fluctuations in international market prices, in effect the ONCPB served as a mechanism for simultaneously satisfying political clients and indirectly taxing farmers (Ntangsi 1990).

The officials running the ONCPB marketing system were widely believed to have been corrupt because political clients allegedly held a purchasing monopoly in their geographic areas of influence. Donors claim that these political clients of Biya's regime paid high economic rents for their privileged positions. The small group of politically-connected individuals who had access to purchasing licenses were remunerated on the basis of the *bareme* system, which represented administratively determined marketing costs and profit margins. This controlled system eliminated free competition in the marketing of cocoa and coffee. Both the Government and its clients benefitted from this patronage-based system.

Besides providing a system for rent-seeking, the structure of the enormous ONCPB has been inefficient and costly to maintain. For example, personnel costs increased over fivefold,

[13]The Marketing Board was created in British Cameroons in 1955 and the *Caisses de Stabilisation* in French Cameroons in 1957. At independence and reunification of the two Cameroons in 1961, the two institutions were maintained. In 1976 following Cameroon's change from a federal to a unitary state (in 1972) the Marketing Board and *Caisses* were fused to form ONCPB, which was assigned to play a substantially enhanced role.

from FCFA 1.3 billion in 1978-79 to 7.3 billion in 1986-87, without any increase in the volume of produce handled (AGRER 1988, p. 25).[14]

Historically, the ONCPB has taxed cocoa and coffee farmers indirectly by paying lower than world prices, even though the tax has been partially offset by input subsidies and other government expenditures on agriculture. During the period 1960-1970 the producer share in FOB prices was 51.2 percent for cocoa, 69.7 percent for robusta, and 80.7 percent for arabica. In the 1970-1977 period, when international prices doubled, the share passed on to producers declined to 39.8 percent, 41.5 percent, and 51 percent, respectively, as the government kept producer prices relatively fixed. The wide margin between world prices and the prices the ONCPB paid farmers enabled the board to accumulate heavy reserves. While a small part of these reserves were returned to agriculture, the larger part was transferred to the general state budget (Ntangsi 1989).

At a macroeconomic level, the heavy taxation of export crops has created price disincentives for farmers, and this, therefore, at least partially accounts for the stagnation in output of export crops over time (see Table 2). Traditionally, the government has been able to tax farmers at high levels because they have not represented a significant political constituency of the regime.

Rather than offering the board an opportunity to stabilize producer prices, the collapse of international cocoa and coffee prices in 1985-86 exposed high-level corruption at the ONCPB (Ntangsi 1991). The heavy reserves accumulated by the board, intended to stabilize producer prices during such a collapse, were allegedly misused by members of the Cameroonian political elite. Consequently, the ONCPB could not play its stabilization role because reserves had been squandered. Not only had resources allegedly financed nonagricultural government activities, but managers were reputed to have siphoned off money to private accounts.

However, in 1988-89, this pattern of the Government taxing farmers was reversed. The Government failed to adjust producer prices downward in 1988-89, after world prices for cocoa and coffee had fallen precipitously in the preceding years. The margin between world prices and producer prices was not sufficient to cover marketing margins. The Government was now *subsidizing* farmers (with financial assistance from the EEC Stabex fund), while it had historically taxed them. As will be discussed in below, donors, especially the World Bank objected to this farmer subsidy, on the grounds of Cameroon's severe budgetary constraints.

The ONCPB's financial and budgetary crisis was so severe that, in the 1987-88 and 1988-89 seasons preceding the price reforms, the government could not afford to pay farmers

[14]It is possible that the regime's need to maintain its patronage networks to bolster its political support during this period (including the years immediately following the 1984 coup attempt) may have contributed to this increased spending on jobs.

for their crops.[15] Consequently, the state issued IOUs toward future payments and built up a considerable debt to farmers. Thus, by 1988, the ONCPB had no money left, and owed a huge amount to exporters and farmers.

3.2 Reform Initiation

3.2.1 Economic Crisis and Donor Conditionality

The economic crisis, not IMF-World Bank conditionality, was the main impetus behind the Government's decision to liberalize export crop marketing. The breakdown of the previous policy regime drove the government to take the bold step of shutting down the ONCPB in 1990, which far surpassed what the World Bank asked for in the SAL. The dire financial state of the ONCPB, not conditionality of a structural adjustment loan or other donor funding, motivated liberalization of the marketing board. Some donors argue that if it were not for the collapse of world prices for cocoa, coffee, and petroleum, the Cameroonians would not have reformed.

The closing of the marketing board ended government control over the purchase of cocoa and coffee from farmers and the export of these crops to the international market. At this point, the export crop trade was ostensibly opened up to the private sector.

This crisis atmosphere was politically ripe for the shutdown of the marketing board, despite antireform pressure from political elites who benefited from the old regime. The crisis environment afforded President Biya the political space to accomplish this sensitive institutional reform. As with the fertilizer reforms, the president's political interest in his regime's legitimacy was linked to his ability to manage the economic crisis. The president needed to get the budget deficit under control, and dismantling the bankrupt ONCPB represented a step toward this goal.

The World Bank did not have much leverage at the initiation stage because the reforms were not an important component of the SAL when the Bank first began negotiating with the government in 1988.[16] At this early stage in its negotiations for the SAL, World Bank officials did not want to spend the political capital to push for marketing reforms. According to the calculations of World Bank staff, political factors would impede the government from moving ahead on marketing reforms. For example, there was strong political pressure from elites to maintain the ONCPB, pressure strengthened by the institution's director, who was a member of the President's ethnic group. Furthermore, Côte d'Ivoire's marketing board, to which Cameroonian officials often compared the ONCPB was not yet privatized. Therefore, marketing

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[15] Many farmers were not paid at all for their crops during this time. Others were paid 25-75% of the government price.

[16] The World Bank's leverage had increased substantially by 1993 when market liberalization was an important condition for the ASAL, currently under negotiation.

reforms were not included among the conditions for the 1989 SAL, and agricultural reforms, in general, were a minor component of the SAL.[17]

Later, the French recommended that the ONCPB be replaced with another much smaller government institution that would not be responsible for exporting or purchasing export crops domestically. Therefore the ONCC did *not* take over the marketing functions previously monopolized by the ONCPB. The new institution, the Office National de Cacao et Cafe (ONCC), would set annual target prices rather than stabilize prices from one year to the next, the ostensible purpose of the ONCPB. The French proposal for the creation of another public institution may have sweetened the otherwise politically unpalatable move to shut down the powerful parastatal. The ONCC provided an opportunity to salvage at least some of the jobs belonging to members of the political elite who worked at the ONCPB. Furthermore, the French granted the Cameroonians two loans in exchange for restructuring the ONCPB.

3.2.2 Political and Bureaucratic Elite

Political elites who had profited from the rent-seeking opportunities and other benefits offered by the old system resisted suppression of the marketing board. Not even the political influence of the ONCPB's Director General, who was a Beti and had very close links to the president's family, could keep the bankrupt marketing board going. The ONCPB's 3,800 employees, including top-level officials, pressured the state to maintain the huge marketing board. Clearly, employees of the ONCPB and other parastatals have been among the groups that have benefited most from Cameroon's political economy in the past decade, and thus may have had the most to lose from reform.

But the opposite may have been true according to political experts on Cameroon. The beneficiaries from the old regime may have been the winners from liberalization, through participation in private trade or through the new ONCC, which offered hope that there would still be room for rent-seeking. According to one foreign advisor heavily involved in export marketing, the major ambition of the Cameroonian managers of the ONCC was to "re-become the ONCPB." The fact that the ONCPB was replaced by another state organization may have lowered the political costs of closing down the national marketing board.

3.2.3 Phase I Pricing Reforms: Crisis and "Sweetened" Conditionality

For several years leading up to 1989, donors, especially the World Bank and the IMF pressured the Government to lower producer prices for cocoa and coffee. The severe budget and financial crisis together with donors' "sweetened" conditionality convinced the state to initiate and implement pricing reforms in 1989. In 1988, several donors offered a "sweetener" in exchange for the government's agreement to adjust cocoa and coffee prices downward from the subsidized 1988-89 levels. The "sweetener" consisted of the extension of loans to the

[17] One exception was that beginning reform of coffee marketing in the Northwest Province was a condition for the third tranche of the SAL.

Government to cover its arrears payments to farmers and cooperatives. France, the United States, and the EEC agreed to pay the state's debt to farmers in the Center-South, Northwest, and Southwest provinces, respectively. The arrears agreement made the dramatic price reduction to farmers more politically palatable to the government for the following reasons:

- It could help diffuse possible farmer opposition because the government's repayment of its IOUs (ready cash in the hands of producers) could offset the effects of lower producer prices. (See Box 1 for a discussion of the regional politics of arrears payments.)

- It could be used as a mechanism to garner political support in strategically important regions of the country.

- In the ensuing seasons, it could help repair farmers' eroded confidence and encourage cash crop production. This, in turn, would help the government earn foreign exchange.

Implementation was smoothly accomplished through presidential decree in September, 1989. In that year, the government cut nominal producer prices for coffee by more than 50 percent from the previous year and cocoa prices by nearly that amount. Official robusta coffee prices were reduced from CFA 455 to FCFA 175, arabica prices from FCFA 498 to FCFA 250, and cocoa prices from FCFA 435 to FCFA 250. This case corroborates evidence that pricing reforms accomplished with the stroke of a pen are easier to implement than marketing reforms, which require major institutional changes (Nunberg 1990).

3.2.4 Mass Political Protest

Political concern about potential farmer protests was not an important consideration in the pricing reforms of 1989. As indicated above in the discussion of fertilizer reforms, farmers did not have a powerful voice in the Cameroonian political system.[18] Nor were farmers' interests represented through farmer-managed institutions such as cooperatives that were powerful enough to dictate pricing policies for their crops. Rather cooperatives were managed by civil servants, lacked farmer support, and had problems with corruption. Thus, political concern about the losers from pricing reforms in 1989 did not block reform implementation. This was not to be the case with the 1992 reforms, which took place in a very different political climate.

[18]The weak political voice of Cameroonian farmers may explain why coffee producer prices are lower in Cameroon than Kenya and why non-price incentives are better for Ivoirian than Cameroonian farmers (even though the level of producer prices has been about the same as in Cameroon).

3.2.5 Phase II Pricing Reforms

While the previous section analyzed the one-time price reduction in 1989, this section will examine efforts to transform the state-controlled pricing system to a market-driven pricing system. Specifically, the political factors that impeded the end of the state-controlled pricing system will be identified.

Donor-Government Relations. A coalition of donors considered the original World Bank SAL proposals on marketing and pricing reforms to be insufficient. Thus the CFD, EEC, and USAID met with the Government in 1990, at which time the Cameroonian Government agreed that by no price subsidies would be allowed, such as those which occurred in the 1988-89 season. Rather, prices would be determined by the market.

Pace and Sequencing of Reforms: The World Bank versus France. There was wide consensus among multilateral and bilateral donors—the World Bank, France, Germany, and the EEC—and many government officials about the need to liberalize agricultural pricing in Cameroon. But France and the other donors, especially the World Bank, disagreed about the **pace** of reforms.

France: Political Ideology of the Strong State. Official French agencies adopted a gradualist approach to pricing reform. Accordingly, the Caisse Centrale, the French bi-lateral aid agency continued to support fixing of prices and marketing margins by the government and a slower liberalization pace.

Earlier, the French government had provided financial assistance for the replacement of the ONCPB with a much smaller Office National du Cafe et du Cacao (ONCC), which would set a floor price and fix marketing margins at a level that would minimize the risk of the need for state support. The new pricing system was to have worked as follows: Recommendations would be

The Political Basis of Arrears Payments

During the export crop seasons before it cut prices in 1989, the government had issued state IOUs of dubious value toward future payment to farmers. This gave the state considerable discretion in handling pockets of rural protest when and where they developed in the years to follow (van de Walle 1993). Local state agents could garner political support for the president in certain provinces through discretionary export crop payments. During this period when the stability of the regime was threatened, the government used its control over agricultural marketing to appease key regions of the countryside.

Government officials chose to pay farmers living in strategically important regions of the country, such as the president's home region, the Center-South Province first. IOUs to farmers living in regions where political protests were centered, such as Bamenda and other areas of the Northwest and Southwest provinces, were paid very late. In fact, the government built up huge arrears payments to farmers and cooperatives, some of which were not paid until 1992 with financial support from foreign donors. Thus export crop marketing was an arena in which the regime could exercise considerable discretion over who received—and did not receive—resources in rural areas.

made to the government each year on producer price levels, based on a reasonable prediction of world market prices, minus marketing margins. If the actual export price was higher than the predicted price, a rebate was to have been given.

French advisors argued that the Government needed to maintain guaranteed producer prices to prevent traders, whom they considered rapacious, from taking advantage of farmers by paying them unfairly low prices. The single annual price stabilization measure of the ONCPB was henceforth to be replaced by price intervention both during and between marketing seasons.

The French position stemmed from their ideological commitment to *dirigisme*. Furthermore, the French had an interest in an ongoing state institutional presence in marketing that would allow them to continue to supply technical assistance. French technical experts continued to advise Cameroonian technocrats in the ONCC, as they had done at the ONCPB. Thus France's interests in Cameroon provided maneuvering room for the government to postpone total reform and pursue a gradualist approach.

Internal French Battles and the Weakness of French Conditionality. The interests of French foreign policy and the French bilateral aid agency, the Caisse Centrale, came into conflict over reform. The French embassy was most interested in maintaining president Biya in power, while the Caisse Centrale was genuinely committed to reform. Cameroonian policymakers leveraged and played upon these differences. For example, when the Caisse Centrale set politically unattractive conditions for reform, Cameroonians raised objections at the embassy, which would in turn, overturn the Caisse's decision. French technical advisors who were committed to liberalizing the system expressed frustration that their government in Paris would override their reform recommendations. The French government's pattern of taking the Cameroonians' side on reform negotiations seriously weakened French conditionality on aid.

Thus the divergent interest of three foreign actors—the French government, the Caisse Centrale and the World Bank—provided maneuvering room for the government to postpone reform. The Cameroonians preferred an administered marketing system that maintained the allocation of benefits on a political basis, rather than on a competitive basis. If donors had reached consensus on reform and provided a united front to the government, they might have been more influential in the reform process.

The World Bank: Ideology of Market Liberalization. While World Bank conditionality had not been important in the first SAL, once the Government started the process of shutting down the ONCPB, the World Bank took a strong line pushing for total price liberalization of cocoa and coffee. On the basis of its ideological commitment to the free market system, the World Bank recommended the end of all administrative controls over marketing, including the closing of the ONCC. Belief in the "miracle of the marketplace," rather than a careful analysis of the Cameroonian marketing system, seemed to motivate this recommendation.

While the World Bank was clear about abolishing the old state-managed system, it did not offer advice about how to build effective institutional mechanisms for implementation. Questions about the "rules of the game" were left unanswered, in contrast to the fertilizer case where donors were heavily involved in implementation. The World Bank failed to support the private sector environment within which the reforms would be implemented, as USAID had done with the fertilizer reform program.

Thus, both the French government and the World Bank used rhetoric about "benefiting farmers," but they used different methods to do so: the French tried to "protect" Cameroonian farmers from traders, while the Bank tried to open the market to traders, which they believed would raise producer prices.[19]

3.3 Implementation of Pricing and Marketing Reforms

3.3.1 Pace of Reforms

While the new institution that replaced the ONCPB, the ONCC, was officially responsible for setting export crop prices, in actuality, prices continued to be set at the level of the presidency. The political threat to the survival of Biya's regime in 1993 prevented him from heeding the World Bank's advice: to set the price at its market-clearing level. Complete liberalization along World Bank lines would mean that the regime could no longer set the prices politically.

The ONCC guidelines for price formation were ignored in 1992: target prices were **not** set on a technical basis based on world market conditions. Rather, political considerations have driven the administration to boost the target price over the export parity level. The price decision for the 1992–1993 campaign came on the heels of the first multiparty presidential election, which seriously threatened the legitimacy of the Biya regime. Fearing political unrest in his home region, the center of the cocoa zone, president Biya set the cocoa price at FCFA 200 above the market-clearing price of approximately FCFA 165.[20]

3.3.2 Inconsistency of Reforms

In order to be effective, marketing and pricing reforms should be undertaken in tandem. But in Cameroon, political considerations prevented the Government from liberalizing marketing and pricing simultaneously. When a market is liberalized, prices should be determined endogenously; price fixing can only vitiate the effectiveness of marketing reforms. The World

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[19] The World Bank argument is that once the market is opened up to more traders, producer prices will rise, as a consequence of lower marketing costs that result in a higher residual for the farmer.

[20] Clearly, the financially strained government did not have the resources to subsidize differences between producer and market-clearing prices. When the government fixed the price artificially high, the EEC's Stabex fund (part of the Lome agreement) refused to continue covering the deficits by subsidizing the difference, which it had done in the past.

Bank recommended that the Cameroonian government sequence pricing and marketing reforms in the most efficient manner; that is eliminate price fixing as the first step. Consequently, when marketing was opended up to private traders but prices were still fixed, the result was that the market did not clear, and equilibrium was not achieved. The government failed to heed the World Bank's advice on reform sequencing. Therefore, inconsistent policies, i.e. liberalizing marketing before pricing thwarted the success of market reforms. Thus, political considerations prevented reform implementation from being sequenced in an efficient manner.

Furthermore, traders complained about the high price and asked the government to pay them the difference between the price farmers are supposed to be paid and the market-clearing price. While the government was making a political gesture to its strategic political constituency in the south by setting the high price, in reality farmers are paid less than the state price. In sum, at the moment when the government needed to maintain its fraying strategic political constituency, pricing policy decisions were made for political reasons, not for economic efficiency.

The first stage of implementation—dismantling the institutional regime—was considered successful, as symbolized by the dramatic shutdown of the colossal ONCPB in 1990.

3.3.3 Politics of Partial Reform

As of early 1993, the experience with setting up a new regime was largely negative, with the Government violating the basic principle of movement toward privatization that it had agreed upon with donors. Donors cite the Government's lack of good faith in describing implementation efforts.

Political Elite. The elite's unwillingness to relinquish its political control over export licenses and the rent-seeking opportunities they offer is subverting implementation. In short, the state has been unwilling to end its control of the decision making process at this moment in the regime's tenure. In the past, local representatives of the regime, *prefets*, decided who was given the authority to buy. The result was a small number of monopsonistic buyers who earned a high profit margin, at the expense of farmers. Free market entry would imply the end of the Ministry of Commerce and Industry's discretion over license allocation.

In principle, the Government accepted the World Bank recommendation of free market entry, whereby any well-structured company would be given bank credit to finance crop purchases. But in spite of this agreement, the Government is resisting relinquishing its control over buying licenses. For example, while only 15 of the 77 licensed buyers had met the official conditions for receiving bank credit in the 1991-92 season, all received a subsidy of 5 FCFA/ kilogram.[21]

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[21] This information was obtained in 1993 in a confidential interview with a foreign technical advisor closely involved in export crop marketing in Cameroon.

Most recently, in July 1993, the government actually backpedaled on reform when it issued an official order increasing state controls on cocoa and robusta coffee marketing. This return to the "*marché périodique*" restricts the time and place farmers can sell their crops. This move **toward** greater government control has infuriated donors who have been pushing for the end of state control.

Why do efforts to make the marketing system more transparent and free of government seem to fail? One argument is that the presidency has been hesitant to proceed with reform steps that would potentially alienate its strategic political constituency.[22] As van de Walle (1992) has argued, the Cameroonian political elite's need to maintain its privileged status—not the regime's unwillingness to impose hardship on the general population—has led to the current state of "non-reform" in Cameroon. Reform efforts fail because "the state elite . . . will not tolerate the end of a system of prerogatives and privilege that is the glue that keeps it together."

The concern of members of the ruling elite with their own gain rather than the sustainability of the regime (or the economic structure) has created a "prisoner's dilemma" situation (van de Walle 1992). Cooperation for reform implies smaller individual gains but better prospects for the regime as a whole, while noncooperation can lead to the maximization of short-term gains (via continued access to economic rents) but also a higher risk of regime collapse. It is rational for leaders to choose noncompliance with structural adjustment or other reforms if they believe that rent-seeking opportunities will dry up in the near future or if they believe that corruption by the other members of the elite makes the system unsustainable (van de Walle 1992). Therefore, if Biya's *petits barons* believe that they will lose their privileges with the downfall of the ruler, they will increase their rent-seeking practices.

This desire to "get rich before it's too late" may explain the policy elite's slow implementation of marketing reforms. In fact, many of the largest beneficiaries of the previous regime carried over their privileged access to the new ostensibly liberal regime. Former ONCPB barons, including the former Directeur-Generale, were converted to importer-exporters with the reform. The ruling elite's choice of maximizing short-term personal gain over prolonging the life of the regime may doom the prospects for implementation of these and other reforms.

3.3.4 Professionalism of the Bureaucracy–Role of Technocrats

Responsibility for reform implementation was split between a commission comprising representatives of the Ministries of Industry, Agriculture, and Finance and one hand, and the ONCC, which was under the direction of MINDIC. This structure allowed both institutions to "pass the buck" on reform: neither took responsibility for implementation.

The fact that the Ministry of Commerce and Industry, reported to be the rent-seeking hub of the Government, was given control over the ONCC, suggests that the state lacks a real

[22] It has been argued more generally that the state's ability to undertake structural adjustment in Africa will be determined by its ability to impose hardship on the groups most favored by the current distribution of resources (van de Walle 1992).

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commitment to reform. If the Government were serious about ending state control, it would downgrade the Ministry of Commerce and Industry rather than make it responsible for liberalization.

Understandably, bureaucrats working in the Ministry of Commerce and Industry have no commitment to reform based upon a belief that markets work better than state-run agencies. Furthermore, there has been no set of rules for technocrats to follow guiding implementation of marketing reforms that would reduce the discretionary power of bureaucrats. This case contrasts to that of fertilizer reform discussed above, where the agreement with USAID held the Government accountable to the reforms.

Several technocrats from the Ministries of Finance and Plan who negotiated with the World Bank initially supported reform, but later backed off when they realized that they could not act autonomously due to the political nature of decision making. A group of pro-reform technocrats worked in the Ministry of Agriculture's Department of Studies, but they did not have the political power base to become policy champions. Their agricultural studies unit did not offer opportunities to engage in rent-seeking and thus these Western-trained technocrats had less to lose from the reforms than bureaucrats in more politically powerful ministries.[23] As noted in the previous discussion on fertilizer reform, membership in Cameroon's political elite is a prerequisite for becoming a policy champion.

3.3.5 Agricultural Producers and Mass Political Pressure

While reforms are ostensibly aimed at helping Cameroon's small farmers, it appears that small farmers have been the losers from agricultural reforms thus far. Not only have cocoa and coffee farmers been excluded from the policy dialogue, but they have also not been informed about the reform decisions critically affecting their livelihood. For example, Cameroonian leaders in Yaounde never told farmers that the cocoa price announced by the new ONCC was the **floor price**, and thus peasants assumed that it was the official price and did not expect to be paid any more than this minimum from traders. While Cameroonian officials who negotiated the new pricing scheme agreed to conduct a public information campaign in the countryside, which was included in the ONCC's budget, they never implemented it.

Furthermore, cocoa farmers have suffered from cutbacks in extension services and the provision of inputs such as fungicide and pesticide with the substantial downsizing of SODECAO, the cocoa parastatal that used to provide these services at subsidized rates to farmers. Farmers also complain that they are having trouble transporting their cocoa to market as a result of bad roads, which are no longer being repaired by SOCECAO, as they were in the past.

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[23] It has been argued that the Cameroonian government showcases pro-reform technocrats to donors, such as these in the Ministry of Agriculture, to try to legitimize the regime's commitment to reform.

As noted earlier, Cameroonian farmers do not have a powerful voice in the political system. The absence of strong professional associations in the agricultural sector—as well as other sectors—is a legacy of the state-oriented past. Civil society is extremely weak and was diminished under Ahidjo. Historically, the state has tried to control all types of associations. Every organized group to emerge from civil society has been coopted or destroyed by the state, from trade unions to farmer cooperatives(van de Walle 1992). Formal associations exist but do not effectively represent the bulk of the sector and are biased in favor of the administration. The Chamber of Agriculture is run by civil servants and funded entirely from the public budget.

Associational life is an important feature of society in Cameroon, as it is in other parts of Africa. However, it remains largely informal and too poorly organized to impose accountability on the state. Many groups exist or are being created in connection with input and output sale and NGO and local development initiatives, but they are diffuse and lack adequate organization to express group interests effectively on a regional or national level.

Recently however, independent economic associations have developed in the spirit of greater political openness. For example, the German aid agency, GTZ, has recently mobilized cocoa farmers to organize themselves in *groupements producteurs* (producer associations) to sell their crops collectively in Douala. This collective action project resulted in lower marketing margins and consequently higher prices for producers in the 1992-93 season.

3.3.6 Role of the Private Sector

The Cameroonian policy elite inherited the French belief in state management and planning, and an inherent mistrust of the private sector. Consequently, the environment for private sector participation in market reforms in Cameroon is extremely weak.

Specifically, lack of real free market entry, information, developed financial markets, and access to credit inhibit the implementation of reform. The problem is that transparent mechanisms for private sector participation have not existed in the past. Rather, the pervasiveness of the state in all economic domains has blurred the division between the private and the public sector. Van de Walle (1990) argues that the political nature of doing business in Cameroon impedes reform implementation: private business strategies were limited to exploiting rent situations granted by the state.

> Even legitimate businesses cannot be successful very long without accommodating the state. . . . This is why the current predilection for privatization in the donor community is likely to disappoint its proponents: *privatization alone is unlikely to change the opportunities for rent-seeking and state predation* [italics added]. Indeed, private monopolies or oligopolies may simply replace public monopolies if the conditions for doing business remain the same. Donors working in the field report that the state's corrupt practices vis-a-vis the private sector have generated mistrust among business people and stymied their willingness to

> participate in reform. Lack of an effective policy dialogue has led to confusion among the business community about the nature of "the rules of the game" in the new environment of liberalization (Ntangsi 1991).

For example, the government's late announcement of export crop prices in November 1992, more than two months after the harvest had begun, destroyed business confidence in the new "liberal" system. The result of the state's failure to decide the price until after the presidential elections were over was that the marketing campaign was a fiasco. Exporters who had bought and stocked their crops early in the season could not export them until the official price was announced. Consequently, buyers lost their contracts with European firms because they could not deliver the crops on time.

3.3.7 Phase III Pricing Reforms Currently Under Negotiation

The World Bank began renegotiating pricing and marketing reforms in 1992 after the government failed to move ahead on privatization. Privatization of cocoa and coffee marketing and pricing is an important condition for the World Bank Agricultural Sector Adjustment Loan (ASAL), which was being negotiated when this case study was written. Another precondition for the 1994-95 ASAL loans is the devaluation of the CFA franc (see Box 2). Such a devaluation would be an efficient mechanism for raising producer prices which, in turn, would stimulate a supply response and raise farmers' incomes. This process is preferred to the government's just setting artificially high prices, as it did in the 1992-93 cocoa campaign.

Cameroon's desperate need for external funding in 1993 puts the World Bank in a strong bargaining position in negotiating the ASAL. However, it is too early to tell whether donor conditionality will induce policymakers to accelerate the pace of liberalization. As will be discussed later, the government has recently displayed a lack of commitment to decontrolling marketing.

Impact of Overvaluation on Pricing Reforms

The rules of the *Communaute Financiére Africaine* (CFA) monetary zone to which Cameroon belongs represent an increasing constraint on pricing policy and on the development of the financial system. In the CFA franc zone, a monetary convention between the BEAC (Banque des Etats de l'Afrique Centrale) member countries and France provides for a guaranteed fixed exchange rate of FCFA 50 to 1 French franc. While the rules of the zones are generally well designed for the least developed economies of the zone states, they are less appropriate for Cameroon, the largest member of the zone in terms of population and among the wealthiest.

Many international economists and donors consider the CFA to be overvalued. Although the nominal value of the CFA franc depreciated relative to the U.S. dollar in the early 1980s as the dollar gained strength, Cameroon's high rate of domestic inflation compared with that of its trading partners meant that the real effective rate slowly appreciated. The real appreciation of the CFA franc weakened the competitive position of Cameroon internationally and discouraged cocoa and coffee production. Thus the overvaluation of the CFA franc counteracts policy efforts to create incentives for export crop production.

Devaluation would be a more efficient mechanism for raising producer prices—and farmers' incomes—and stimulating a supply response than setting artificially high prices, as the government did in the 1992-93 cocoa campaign. This overvaluation issue demonstrates the limited effect of internal adjustment on competitiveness.

Many donors argue that creating adequate incentives for export crop production—and the ensuing agricultural growth—will not be possible without the depreciation of the real effective exchange rate. World Bank staff in Yaounde estimate that while a devaluation of 40 percent would raise the producer price of cocoa by 30 percent and significantly affect its competitiveness, a 10-percent devaluation would be insufficient to affect competitiveness. Thus, only a major devaluation would boost Cameroon's ailing export crop sector. Significant depreciation of the real effective exchange rate—big enough to trigger a rapid and substantial supply response, including traditional agricultural export crops, is a precondition for the 1994-95 World Bank Agricultural Sector Adjustment Loan (ASAL).

4. CONCLUSIONS AND RECOMMENDATIONS

What is unusual about the Cameroon case is that the two sets of reforms analyzed had dramatically different outcomes, even though they took place in similar political environments. The lessons that emerge from the fertilizer case suggest how the problems with marketing and pricing reforms can be minimized. This allows us to identify donor strategies that are likely to foster positive agricultural policy outcomes even in uncongenial political environments.

In both cases (fertilizer market reform and coffee and cocoa market reform), the breakdown of the previous state-controlled system, the bankruptcy of the ONCPB, and the government's inability to pay for fertilizer subsidies created a crisis atmosphere that was conducive to reform. But both reforms also faced a negative constraint: the elites who benefited from the patronage-based political system tried to subvert the reform program to their advantage.

Proponents of fertilizer reform managed to overcome these political obstacles and end inefficient government-controlled practices. With donor assistance, the Cameroonians dismantled the public monopoly on fertilizer and replaced it with a new market-oriented institutional structure, a quasi-market system. This study has illustrated that policymakers were less successful in the case of export crop reforms. While the state marketing board for export crops was shut down, it has not been replaced by a new market-oriented institutional structure. The state is still heavily involved in marketing and pricing export crops despite five years of negotiation with donors about reforms.

A caveat on the success of fertilizer reforms is in order. In keeping with the emphasis of this study on reform success, the following discussion focuses principally on the positive elements of the fertilizer reform program. It is important to note that the reform implementation has met with obstacles and has not been an unqualified success in all areas. For example, limited data is available on how farmers have benefited from the program. An evaluation report cites "one negative impact of the program was that there was one entire agricultural season in which subsidized fertilizer was not readily available to farmers who should have been able to buy it" (Blane et al. 1991).

A second observation has been that USAID/Yaounde's intensive involvement in the reform process is, perhaps, atypical of reform as it is generally practiced by donors. Finally, the early successes of the Cameroon reform effort do not necessarily mean that the program will be sustainable in the long run.

This case study has focused on the following as an explanation for these divergent reform outcomes: the response of policymakers, Cameroonians, and donors to political opportunities. Fertilizer policymakers enlarged "policy space" when they: (1) anticipated opposition, (2) compensated losers, (3) built consensus among the private and public sector behind the reform, (4) designed the program to facilitate government commitment to reform, and (5) acted as policy champions. Wider policy space generated an opportunity for pro-reform views to prevail.

In the case of pricing and marketing export crops, foreign advisors and Cameroonian policymakers diminished the policy space when they failed to maneuver successfully within their environment in support of reform. Donors failed to: (1) reach consensus on reform, (2) use conditionality effectively, (3) foster the new institutional environment, and (4) design implementation so as to generate public commitment to reform. Furthermore, Cameroonian policymakers failed to: (1) send clear signals to the private sector, (2) to sequence reforms properly, and (3) inform farmers about policy changes and include them in the policy dialogue.

Another possible explanation for the divergent outcomes not discussed in this study is that the "policy space," or room for policymakers to maneuver and influence reform initiatives, was greater with the fertilizer reforms. Two factors support this view. First, the smaller and more easily-managed scale of the fertilizer reforms, compared with the far-reaching export reforms, may have enhanced their political chances for success.[24] Second, export pricing reforms, which occurred on the heels of the presidential election, endangered the political legitimacy—and survival— of the regime more than fertilizer reform. In these circumstances, donors should recognize that they have less leverage over policy outcomes. It is more useful for donors to understand what they can do to improve the effectiveness of policy reform.

4.1 Donor-Government Relations

Interactions between USAID, the lead donor, and the Government facilitated the initiation of fertilizer reforms in four ways.

1. Donor conditionality, and the five-stage "tranching" of funds, in particular, provided an institutional means (and enlarged the policy space) for the government to make a commitment to liberalization. In governance structures such as Cameroon's, a bilateral agreement with another sovereign country is one way to impose discipline on the government. The tranched program empowered policy champions by insulating them from political opponents of reform. Furthermore, this program design enhanced the credibility of the government's commitment to the new regime in the eyes of the private sector. Such external mechanisms for imposing accountability may facilitate reform in other cases and countries as well, where no independent judiciary or legislative body holds the government accountable.

2. While donor conditionality did play a role in convincing the government to implement pricing reforms in 1987, it was ineffective in building private sector confidence in the state's commitment to marketing reform. Highly committed and technically skilled USAID policymakers in Yaounde mobilized support for reform in the presidency and engendered learning by technocrats about the reform. Donor access to technical staffs in the ministries and the presidency was essential to developing collaborative

[24] To get a rough sense of orders of magnitude, the value of the USAID FSSRP was $20 million, while the value of the World Bank ASAL, of which pricing and marketing of export crops was an important component, was $150 million.

relationships, ensuring that reform conditions were reasonable, and making the necessary adjustments throughout the implementation process.

In the case of pricing and marketing reforms, the donors, notably the World Bank, who remained distant from reform technocrats, were least successful in accomplishing their reform objectives. World Bank staff's contact with technocrats is often limited to intensive three-week missions from Washington to Yaounde. In addition, the high turnover of World Bank staff interrupted the flow of the policy dialogue and led frustrated Cameroonian officials to perceive that new staff members were "starting from scratch" in their negotiations. In contrast, French development officials at the Caisse Centrale in Yaounde benefited from 30 years of intimate institutional involvement in Cameroon. The French staff, who worked hand in hand with Cameroonian technocrats, were more successful in selling their reform package. (Albeit, their gradualist approach was more politically palatable than the Bank's prescription of total privatization.)

The different outcomes of intense donor contact with technocrats--USAID in fertilizer and the French in export crop commercialization—on one hand, and the arms-length approach of the World Bank on the other, suggest two general lessons: (1) close donor contact with technical personnel enhances the success of policy implementation, and (2) donor commitment to the creation of viable institutions after the state-run system has been dismantled speeds reform implementation. USAID and the French recognized that the challenge of reform was to foster a new institutional structure after the previous regime was liberalized. USAID's commitment to building a new institutional regime motivated the fertilizer reformers to improve the environment for privatization through credit programs and information dissemination about the reforms.

Conversely, the World Bank and structural adjustment theory, in general, failed to address the question of how viable alternative institutions will arise after the administered system ended. In the case of export crop liberalization, the lack of real free market entry, information, developed financial markets, and access to credit inhibited reform implementation.

In future marketing reforms, donors could strengthen the framework within which markets operate by supporting efficient dissemination of information about domestic and international prices of inputs and outputs. Donors should keep in mind that privatization alone could result in private monopolies replacing public monopolies if the environment for reform is not improved.

3. Mission staff went over the heads of antibusiness technocrats and advocated at the level of the presidency including the private sector in the policy dialogue. If donors had undertaken similar efforts to boost private sector confidence in marketing reforms, they could perhaps have facilitated implementation.

4. USAID tried to compensate reformers and include them in the consensus behind reform. If donors had encouraged Cameroonians to take similar steps to diffuse opposition, among bureaucrats, for example, export crop reforms might have been more successful. The policy recommendation that emerges from this experience is that donors can assist host country reformers in anticipating losers and crafting reforms in such a way that they limit opposition.

USAID has been criticized for its intense level of involvement as "rulemaker" and "watchman" for the fertilizer reforms. However, such intervention may be justifiable in an environment where markets do not function perfectly due to political, as well as other, factors. In light of the nature of governance in Cameroon, special intervention may have been necessary to bring transparency into the newly evolving market, minimize the scope for collusion, and stem efforts to reestablish special ties to the government for exceptional gain. A more laissez-faire attitude toward privatization could have contributed to the preservation of the patterns of access based upon privilege.

In the export crop reforms where such an intense level of donor involvement was missing, clientelistic beneficiaries of the old regime have not all lost their privileges. The lesson that arises from this experience is that donors can play a role in bringing transparency to the process of liberalization in governance structures such as Cameroon's where there are no checks on state power.

Another reason USAID intervened was to minimize the political risk to the private sector of entering into the new institutional regime. USAID acted to assuage private sector fears that the government would reverse its position and revert to the old state-run system.

In contrast, donors did not intervene to minimize the risk of private actors entering export commercialization, even though private sector confidence was a major impediment to implementation. The state's indecision on reform, exhibited most clearly when it delayed announcing the cocoa price until after the 1992 presidential elections, deepened private sector skepticism about the government's commitment to reform.

Finally, the failure of donors, notably the French and the World Bank, to reach consensus about the pace of marketing reforms may have hindered implementation.

4.2 Political Elite and Bureaucratic Interaction

In 1992, popular electoral support for the opposition leader undermined the legitimacy of the Biya regime and constricted policy space for pricing reforms. Faced with a crumbling base of support, president Biya was unwilling to take the political risk of lowering cocoa prices in his home province, and thus in 1992, Biya set prices above market-clearing levels. The politically motivated decision was made directly after the presidential election in October, which exposed the fragility of the regime.

The result was improper sequencing of reforms: marketing reforms failed because they took place before prices were liberalized. The lesson that emerges is that the sequence of reforms is important: marketing reform is more effective when prices have already been liberalized.

The discussion has revealed that both sets of reforms met with resistance from bureaucrats associated with the past one-party regime who sought to maintain their privileged access to nonproductive rents. In the fertilizer case, policymakers responded strategically by moving responsibility for the reform to the Ministry of Plan where there was less bureaucratic opposition to reform than in the Ministry of Agriculture. In contrast, responsibility for export crop reforms lay in the Ministry of Commerce and Industry, allegedly the center of rent-seeking in the previous policy regime. Assignment of the new ONCC to this ministry constricted the policy space for effective reform, displaying the government's lack of commitment.

Clear "rules of the game" for a new transparent marketing regime, which would limit the discretionary power of bureaucrats, were missing. In contrast, "the rules of the game" were spelled out much more clearly in the fertilizer reforms, where the USAID program agreement helped to make the government accountable to them.

While several politically powerful technocrats played the role of fertilizer policy champions, export crop reformers working in the Ministry of Agriculture did not have the political leverage to become policy champions. In the former case, donors encouraged the transformation of skeptical technocrats into policy leaders by informing them about the importance of fertilizer reforms to the Cameroonian economy. The lesson that emerges is that leadership, analysis, and education of policymakers can improve reform prospects. Donors can cultivate policy champions through education, sponsoring training in policy and political analysis, and funding activities of reform groups.

4.3 Agricultural Producers and Mass Political Pressure

Agricultural producers, who are not represented within the Cameroonian structure of political power, did not play an important role in influencing either of the reform outcomes. Small-holder farmers, who could be among the principal winners from both sets of reforms, did not act as a united countervailing force against elites opposed to reform. The weakness of civil society, a legacy of the state-dominated power structure, precludes farmers associations from expressing group interests effectively on a regional or national level.[25] The case of unempowered farmers represents an example of an untapped political opportunity to promote reform. In the future, donors could support collective action such as the project discussed above where the GTZ organized farmers in groups to market their cocoa. Donor efforts to strengthen civil society through support for producer and trade associations could promote pluralism and state accountability.

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[25] Research on the quality of governance in Africa has found that state abuses result from the lack of counterweights to state power in African civil society (Bratton 1989; Carter Center 1989; Diamond et al. 1988; Chabal 1986; van de Walle 1990).

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