PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE

Report No.: PIDC996

Project Name	Agriculture Investment and Market Development Project (P143417)
Region	AFRICA
Country	Cameroon
Sector(s)	Crops (60%), Agricultural extension and research (20%), General agriculture, fishing and forestry sector (10%), Animal production (5 %), Irrigation and drainage (5%)
Theme(s)	Rural services and infrastructure (40%), Rural markets (35%), Rural policies and institutions (25%)
Lending Instrument	Investment Project Financing
Project ID	P143417
Borrower(s)	Minister of Economy, Planning and Regional Development
Implementing Agency	Ministry of Agriculture and Rural Development (MINADER)
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	07-Aug-2013
Date PID Approved/ Disclosed	09-Aug-2013
Estimated Date of Appraisal Completion	31-Dec-2013
Estimated Date of Board Approval	31-Mar-2014
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Cameroon economy continues to recover from the impact of the 2008-09 global crises. The 2011 growth was 4.2 percent as a result of a rebound of global economy increase in public investment and mostly measures to boost agriculture. However, Cameroon is not likely to meet any of the Millennium Development Goals (MDGs) by 2015 with the possible exception of that of universal primary Education. Poverty level is about 40 percent, with significant regional disparities. According to the latest 2007 household survey, some 55 percent of rural households are poor – compared to 12 percent of urban households – and about 87 percent of the poor live in rural areas.

Mapping of food insecurity and malnutrition indicates that about 10.5 percent of rural households (30.3 percent of rural population) and 6.7 percent of the urban are affected by food insecurity. The proportion of children suffering from chronic malnutrition in Cameroon is high -- 33% are stunted and 15% are underweight. The prevalence of chronic malnutrition has not changed significantly between 2004 and 2011. There are significant variations across socio-demographic factors, with stunting rates being almost two times higher in rural areas (41 percent) compared to (22 percent) in urban areas. Deficiencies of Vitamins and minerals are also highly prevalent, and all of these compromise human capital and productivity in Cameroon since malnourished children lose on average between 10-17% in income and productivity as adults. There is an increasing share of food commodities (such as maize, rice, sorghum and wheat) being sourced from imports that cover 20 percent of consumption. In 2011, the cereal deficit was about 640,000 tons. Nonetheless, for other staple food such as cassava, plantains, bananas, yams, Cameroon meets its domestic needs and even produces surpluses for export. Despite declining oil revenues, economic growth is nevertheless expected to increase to 5.5 percent by 2016 provided Government continues to increase investments in agriculture. About half of the population of Cameroon is under 18 years and creation of employment for youths, especially for rural youths, is an important challenge. Agriculture is expected to significantly contribute to employment creation, but the informal sector in agriculture is still the main provider of employment.

Sectoral and Institutional Context

The Government of Cameroon recognizes the critical importance of agriculture and rural development as expressed in its economic policy and strategies. Agriculture (food and cash crops, livestock, forestry and fisheries) employs about 60 percent of the active population, and constitutes a spillover to the food industries and services sectors. Crops contribute for 64 to agricultural GDP, followed by Livestock (13 percent), Forestry (9 percent), Industrial and Export crops (8 percent) and fishery (6 percent). Cameroon agriculture is diversified and has great potential for development within its main farming systems.

The sector is constrained by the poor performance of the predominant traditional family farm enterprises, out of which 63 percent are small, with less than 2 ha. Farm enterprises are briefly classified as smallholder farms, medium/large scale farms, and agro-industry. Medium/large scale farms have some integration with downscale agri-business. They have better access to finance and land than smallholders and may use higher degrees of mechanization and inputs. Agro-industrial farm enterprises (mix of private and public enterprises) represent large plantation-style production, primarily in export crops and livestock. They use wage labor and heavily depend on agricultural inputs. Smallholders' farms are operating in the informal sector dominated by women who represent 75 percent of the agricultural labor and 60 percent of food production. Moreover, they are organized into about 80,000 producer organizations including (3,000) cooperatives and Common Interest Groups (77,000). Since late 2012, Cooperative is the only lawful form of professional agricultural organization recognized by the Organization for the Harmonization of Business Law in Africa (OHADA), of which all member states should comply. The Government decided to strengthen organizational and managerial capabilities of POs that should now be restructured into cooperatives to comply with OHADA new rules.

Amongst the enterprises operating in the primary sector, 35 percent are involved in agricultural food production and 32 percent in agricultural industry and export. The agricultural sector benefits from the presence of dynamic private agro-industries which however, at present, is limited to only 0.4 percent of the existing 1,700 formal enterprises in Cameroon, but constitutes a leading employer in the country. The Law No 2010/001 of April 13, 2010 governing Enterprises and Industries in Cameroon distinguishes four categories of enterprises. About 120,000 Small and Medium

Enterprises/Industries (SMAEs) are registered of which 60,000 as small and 6,000 of them are operating directly in agricultural value chains.

The agricultural sector also faces other major constraints. Weak institutional capacity of Producer Organizations (POs) and of agricultural services, limits access to improved agricultural technologies and training for farmers who are still practicing traditional production techniques. Limited access to inputs and machinery (fertilizers: less than 7kg/ha, 0.1 tractor/1000 ha, low mechanization ratio: 0.1, and use of improved seeds lower than 30 percent), led to subsistence farming with low production and productivity. Poor infrastructure and absence or inadequate processing of agricultural products limit access to markets and hinder competitiveness of value chains. The situation is aggravated by lack of roads that contribute to the difficulties of households to stock and sell their products under the best conditions. Energy supply deficit and high cost (power supply covers less than 40 percent of the urban population and only 10 percent of the rural) as well as limited access to markets, constitutes a major bottleneck to the growth of the agricultural sector. The business environment impedes rather than fosters private investments in the sector. In addition, climate change represents a new, significant challenge for the sector.

The Government long-term vision for agriculture is to increase the agricultural growth beyond 5 percent by 2020 based on the sector potential. The Government is committed to shift from the predominant traditional subsistence agriculture to a commercial agriculture which is fully oriented to market. The context is conducive to this orientation since few international agricultural companies present in Cameroon (such as Nestlé, Guinness, etc.) expressed interest in local sourcing products of value chains including cassava, maize and sorghum. In this prospect, the Government, as per consultation with the private sector has identified promising value chains (including cereals) to boost economic growth.

The Government’s priorities for the agricultural sector are to: (a) improve productivity and competitiveness of different segments of the agricultural sector; (b) mechanize and intensify production; (c) improve access to land and secure ownership rights and titles; and (d) create agriculture growth poles that will attract young agricultural entrepreneurs. To alleviate the main constraints agriculture is facing, the Government has undertaken several measures in that direction: (i) farm inputs are exempted from taxes and the seed sub-sector has been restructured; (ii) an agricultural mechanization strategy has been formulated; (iii) a land reform policy has been put in place as that will facilitate access to land for small farmers, and SMAEs; (iv) creation of two new financial institutions for SMAEs; (v) large investments in transit corridors; (vi) investments in the energy sector have been made to increase the current capacity (less than 1,000 MW) up to 50 percent and the availability of lower cost electricity; it is foreseen that the on-going energy sector development project would finance decentralized, off-grid rural renewable energy sources benefiting farmers, their organizations as well as SMAEs; and (vii) preparation a Readiness Preparation Plan towards climate change with Bank support. The Government has also supported the private sector in the delivery of goods and services to farmers through implementation of reforms including: (i) suppression of subsidies, (ii) trade liberalization on fertilizer, pesticides, animal feeds, and veterinary products, (iii) adoption of new crop protection legislation; and (iv) privatization of animal health services.

The proposed Agriculture Investment and Market Development Project (AIMDP) will support the Government in achieving its priorities. The new operation will support a shift from traditional low yield subsistence farming of cassava, maize, and sorghum toward commercial agriculture driven by

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market demand for food consumption and from a growing agro-industry sector. The agro-industry sector (including NESTLE, GUINNESS, CASTEL, animal feed companies, etc.) has expressed strong needs to locally source up to 50 percent of its annual average raw materials demand which is estimated at about 200,000 tons of maize, 30,000 tons of sorghum, and 1,400,000 tons of cassava fresh roots to produce 20,000 tons of flour, 35,000 tons of pellets and 20,000 tons of starch. In addition, Cassava starch is becoming more and more important for the international market given the huge growing demand, especially from China, and the continuous increase of starch price. The demand of starch and prices will continue increasing sustainably and cassava starch is key to meet China's demand.

Given the challenge, AIMDP will learn from the experience of IDA-financed operations in agriculture and agribusiness. The review of Bank's experience with agriculture and agribusiness by the Independence Evaluation Group (IEG) evidenced critical activities/measures for supply chains competitiveness including: (i) support to production; (ii) marketing and market infrastructure; (iii) access to land/land tenure; (iv) technical assistance; and (v) the need to work all points in the value chain to address bottlenecks, strengthen the business orientation of POs including the needs of farm enterprise members of POs as well as of agro-industries, support production in quantity and quality while improving access to markets and credit to consolidate the investments provided. Experience with «the Productive Partnerships» in Latin America with overcoming producer market barriers has highlighted that productive partnership projects should involve financial institutions such as commercial banks from the beginning of the project as well as working with the buyers in order to sustain and scale-up activities when project funding comes to an end, emphasize the value chains in which the producer/buyer partnerships operate in order to remove constraints, promote opportunities for promising subsectors, and help roll out the partnership model on a national scale. The ongoing IDA-financed Cameroon Agricultural Competitiveness (PACA) Project showed that facilitation of consultation forums between POs and buyers, sellers, agro-dealers, and financial institutions can enforce «Commercial Partnerships» and improve access to commercialization of products, supply of inputs, leverage credit, and then contribute to strengthening supply chains.

Support to cassava value chain will benefit from lessons learned with the Programme National de Développement des Racines et Tubercules (PNDRT) supported by IFAD and the Cassava processing pilot that had been jointly financed by the IDA-financed PACA and the Bank-executed TF - the All ACP Agricultural Commodities Program (AAACP) and implemented by PACA from 2011-2012. The joint collaboration of PNDRT with the Agricultural Development Research Institute of Cameroon (IRAD) and International Institute for Tropical Agriculture (IITA) led to the: (i) development of five new varieties of cassava for each agro-ecological zones; (ii) a significant increase in yields from 8-10 tons/ha 25-30 tons/ha at farm level; (iii) development of post-harvest equipment and processing methods for cassava for smallholder producers. The evaluation of the cassava processing pilot has recommended: (i) a cost analysis study of cassava production in order to appreciate the competitiveness of a model processing enterprise; (ii) promotion of processing of cassava; and (iii) promotion of private entrepreneurs for the processing of cassava. Moreover, the project will exploit the advantages offered by the Industrial Processing Plant Cassava (UTIM) of Sangmelima built by the Government. The UTIM has a processing capacity of 36,000 tons per year and fresh raw materials for the production of 7,200 tons of starch paraffin. The UTIM is a limited company with a capital of one billion CFA with 36 percent of shares intended for the producers.

Relationship to CAS

The proposed operation will contribute to two strategic themes of the 2010-2014 Cameroon Country

Assistance Strategy (CAS): (i) Increasing Cameroon's Competitiveness; and (ii) Improving Service Delivery. The Project will promote competitiveness of the targeted value chains (cassava, maize, and sorghum) by increasing the productivity and quality, and improve access to key services (technology, input, credit, etc.). The proposed operation will increase the Bank's agricultural and rural portfolio in Cameroon, which already has two ongoing operations including: (i) Agricultural Competitiveness Project-P112635 focusing on increasing the competitiveness of beneficiary producer organizations working on target value chains; and (ii) the 2nd Phase of the National Community Driven Development Program-P113027 that supports the implementation of Government's local decentralization policy across the country.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The Project Development Objective (PDO) proposed for the operation is to increase productivity and competitiveness of cassava, maize, and sorghum value chains in order to meet the market demand, especially of the agribusiness led by target beneficiaries, i.e. cooperatives/Common Interest Group Unions. This will be achieved by (i) establishing a "Productive Partnership" mechanism between the beneficiary POs (eligible cooperatives, and Interest Common Groups) and the agribusiness to improve access to markets; (ii) financing sub-projects for POs to increase access to improved agricultural technologies, inputs and basic infrastructures; and (iii) supporting access of POs to rural finance. To this end, the Project will expand investments in production, processing, and marketing of the above targeted commodities and in parallel improve delivery of services.

Key Results (From PCN)

The PDO indicators for the proposed Project include: (i) functioning partnerships established between POs and agro-industries; (ii) increased yield of targeted crops in the targeted production basins (tons/ha) of which cassava (percentage), maize (percentage), sorghum (percentage); (iii) amounts of products of targeted crops processed by COOP-CIGUs (tons) of which cassava (percentage), maize (percentage), sorghum (percentage); (iv) amounts of value added products marketed by COOP-CIGUs (tons) of which cassava (percentage), maize (percentage), sorghum (percentage); (v) amount of co-investments leveraged by the Project's investment; (vi) competitive price of products (value); and (vii) increased value of target crops (value) of which cassava (percentage), maize (percentage), sorghum (percentage).

The intermediate outcome indicators for the proposed Project include: (i) productive investments delivered to beneficiary POs (number); (ii) post-harvest or processing facilities constructed or rehabilitated for Farms (number); (iii) rural roads constructed or rehabilitated; (iv) market infrastructures/units created or rehabilitated accessible for Farms; (v) integrated management landscape practices in the targeted production basins (ha); (vi) Farms that have adopted improved inputs (e.g: seeds, fertilizer, etc.) or technologies promoted by the project (percentage); (vii) direct Project beneficiaries satisfied with the Project (number) of which female (percentage) and youth (percentage).

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III. Preliminary Description

Concept Description

The Project will comprise three components:

Component 1. Support to production, processing and marketing (US$65.00 million IDA).

Component 1 will finance activities in the focal areas listed above: increasing crop productivity, adding post-harvest value, and improving performance of agricultural markets. Funding will target either basic infrastructure and equipment investments of eligible cooperatives/Common Interest Group Unions (COOP-CIGUs) (sub-projects) or on-farm investments of eligible Farms (micro-projects). The sub-projects supported under this component will constitute assets owned by the beneficiary COOP-CIGUs as part of their operation, management and maintenance responsibility. The Farm implemented micro-projects will finance productive assets for the intensification of the on-farm production systems. Support to market access, nutrition and climate resilience under this component will complement the aforementioned investments; to this end, sub-projects and micro-projects will also include activities related to nutrition and climate smart agriculture. The project will also specifically identify how female members' business plans can be supported under the component. IDA resources (public resources) will finance collective investments of business plans from Sub-projects (SPs) and Micro-project (MPs). COOP-CIGUs are eligible to public resources as they account about several hundreds of Farm members also structured into groups.

SPs and MPs will be supported through a productive partnership approach or a public-private co-financing approach including joint Government-IDA (public) and cooperative-agro-industry's (private) financing. Public financing may also include resources from other donors if any. Each COOP-CIGU's SP will include a business plan with three sources of financing: (i) public resources (Government direct counterpart funding and IDA financing); (ii) COOP-CIGUs' contribution (own financial resources plus credit from micro-finance institution or commercial banks); and (iii) agro-industry financing for specialized hard equipment and/or technical assistance (varieties, entrants, training, marketing, etc.). Farm enterprise's MP will include a business plan with two sources of financing: (i) public resources (Government direct counterpart funding and IDA financing); and (ii) Farm's contribution (own financial resources plus credit from micro-finance institution or commercial bank). COOP-CIGUs will serve as integrators of Farms for processing, value-added, negotiations, and commercialization, while agro-industries/financial institutions will be integrators of COOP-CIGUs for marketing, financing, and technical assistance. The matching contribution required of beneficiaries will differ between the two categories and will be spelled out in detail during Project preparation. Selection criteria for COOP-CIGUs as well as farms, and the matching grant mechanism for financing sub-projects (SPs) and micro-projects (MPs) are presented in the implementation arrangement section. Component 1 includes the following three sub-components.

Component 2. Capacity building and institutional support to public services (US$10.00 million IDA) will support implementation of Component 1 by: (i) enhancing capacity of core public services; and (ii) building a framework of consultation/partnership between government, COOP-CIGUs, agro-industry companies and specialized institutions. Roles of the public services will be limited to advising beneficiary COOP-CIGUs. Implementation arrangements will be decided during Project preparation and described in detail in the PIM. Component 2 will consist of the two sub-components: (i) Enhancing capacity of core public services and (ii) Building the public-private consultation and partnership framework.

Component 3. Project Coordination and Management (US$5.00 million IDA). The Project will establish a new Project Coordination Unit (PCU). A coordination mechanism between relevant ministries will be established. The Project will support implementation of activities, including manuals, selection of additional staff and equipment, the start-up and related operating costs of the PCU. The PCU will be responsible for the day-to-day management, implementation, fiduciary management, and overall monitoring and evaluation (M&E). The Project will establish an M&E

unit that will carry out baseline and impact studies, and communicate information on agricultural technology, financial services and markets. The operational costs of the Project Steering Committee will be supported by the Project.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	✕		
Natural Habitats OP/BP 4.04		✕	
Forests OP/BP 4.36		✕	
Pest Management OP 4.09	✕		
Physical Cultural Resources OP/BP 4.11	✕		
Indigenous Peoples OP/BP 4.10	✕		
Involuntary Resettlement OP/BP 4.12	✕		
Safety of Dams OP/BP 4.37		✕	
Projects on International Waterways OP/BP 7.50		✕	
Projects in Disputed Areas OP/BP 7.60		✕	

V. Financing (in USD Million)

Total Project Cost:	110.00	Total Bank Financing:	100.00
Total Cofinancing:		Financing Gap:	0.00

Financing Source	Amount
BORROWER/RECIPIENT	10.00
International Development Association (IDA)	100.00
Total	110.00

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