PD-AAP-081
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CLASSIFICATION

PROJECT EVALUATION SUMMARY (PES) – PART I

Report Symbol U-447

1. PROJECT TITLE	2. PROJECT NUMBER	3. MISSION/AID/W OFFICE
PL-480 Title I	N/A	USAID/Liberia
	4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) FY83, #6	
	☐ REGULAR EVALUATION ☒ SPECIAL EVALUATION	

5. KEY PROJECT IMPLEMENTATION DATES N/A	6. ESTIMATED PROJECT FUNDING	7. PERIOD COVERED BY EVALUATION
A. First PRO-AG or Equivalent FY___ B. Final Obligation Expected FY___ C. Final Input Delivery FY___	A. Total $ 50 million B. U.S. $ 50 million	From (month/yr.) 8/13/80 To (month/yr.) 7/1/83 Date of Evaluation Review 7/83

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
The PL-480 evaluation, conducted in July 1983, reviewed the implementation of four (4) PL-480 Title I agreements. All the evaluation's recommendations pertain to future agreements.		
A. Establish a PL-480 Coordinating Committee: 1) to determine GOL policy with regard to PL-480, 2) to program counterpart funding and 3) to monitor self-help measures.	GOL	FY 84 Agreement
B. Proceeds generated from the sale of commodities should be deposited quarterly in the National Bank of Liberia's special PL-480 account.	GOL	FY 84 Agreement
C. LPMC should continue to tighten its credit policy and deny credit to delinquent customers.	GOL	1984/1985
D. The Rice Committee should regulate the commercial importation of rice so that LPMC can better plan its imports and sales.	GOL	1984/1985
E. The U.S. Country Team should seek authorization for a multi-year Title I rice program for Liberia.	Embassy/AID	1985/1986
F. PL-480 Agreements should be signed as early as possible (in Nov/Dec) so the GOL can buy when U.S. prices are seasonally low. ....../continued	GOL/USAID	1984/1985/1986

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS			10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT
☐ Project Paper	☐ Implementation Plan e.g., CPI Network	☒ Other (Specify) Future Agreements	A. ☒ Continue Project Without Change
☐ Financial Plan	☐ PIO/T		B. ☐ Change Project Design and/or ☐ Change Implementation Plan
☐ Logical Framework	☐ PIO/C	☐ Other (Specify)	
☐ Project Agreement	☐ PIO/P		C. ☐ Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)	12. Mission/AID/W Office Director Approval
Carole Scherrer-Palma, PL-480 Project Officer Joseph Musa, Plan. Div., Ministry of Agriculture Eugene Gardiner and Simeon Moribah, Plan. & Eval. Div. Ministry of Planning and Economic Affairs Jim Stevenson, Team Leader OICD, U.S. Dept. of Agriculture John R. Moore, University of Maryland	Signature: Lois Richards Typed Name: Lois Richards Date: January 18, 1984

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PES -PART I, 8. continued.....

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR		
A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
G. GOL should stimulate increased-rice production over the long-term by gradually increasing rice prices at the producer level.	GOL	1985/1986

PROJECT EVALUATION SUMMARY (PES) - PART II

13. SUMMARY

The PL-480 Title I program is an internal part of U.S. policy to help restore fiscal and economic stability in Liberia. Since the April 12, 1980, coup, the U.S. Government has provided a total of $50 million in PL-480 Title I (rice) to Liberia. The provision of PL-480 assistance helps Liberia meet its foreign exchange requirements for imports of rice necessary to cover its production shortfall. Counterpart funds generated from the sale of PL-480 rice are programmed by USAID and GOL to finance priority agriculture and rural development projects. The evaluation team in collaboration with the Ministries of Planning and Economic Affairs (MPEA) and Agriculture (MOA), assessed (1) PL-480 programming and operations, (2) the developmental impact of PL-480 rice on domestic production and (3) macro-economic effects of Liberia's Title I programs. While there has been some difficulty in gaining GOL compliance with self-help measures and reporting requirements, the evaluation team found that the PL-480 program was a significant element in multi-donor efforts to stabilize the economy, that Liberia's PL-480 program is not an undue disincentive to domestic production and that the $15 million annual level of the program in the short-term seemed appropriate, barring major production increases or other changes in rice stocks.

14. EVALUATION METHODOLOGY

This was a special evaluation carried out to: 1) improve implementation of the PL-480 program, 2) assess developmental impact of rice importation, especially in terms of disencentive effects to domestic production, and 3) to determine the effect that PL-480 has on resource transfer and balance of payments. This was the first comprehensive evaluation of Liberia's PL-480 Title I program, which began in FY 1980.

The methodology used included a combination of (1) review of USAID, GOL, IBRD, USDA and other documents; (2) interviews with MOA, MPEA, LPMC, MCIT, MOF, NBL and USAID; (3) bi-weekly meetings with ministries involved in implementing the PL-480 program.

Costs:	Agricultural Economist USDA (team leader) Funded out of PDS	$14,580
	Macro Economist (Univ. of Maryland) Funded out of PDS	$11,770
	Design & Evaluation Officer USAID/Liberia	-0-

The evaluation was conducted by Dr. Jim Stevenson, Dr. John R. Moore and Mr. Jim Pagano with the collaboration of Eugene Gardiner, MPEA, Simeon Moribah, MPEA and Joseph Musa, MOA.

15. EXTERNAL FACTORS

The major factors which have negatively affected the PL-480 program are:

a. A deteriorating GOL financial position which has sometimes resulted in delays in disbursements of sales proceeds to finance developmental projects.

b. Lack of coordination among GOL ministries to adequately monitor and report on GOL compliance of self-help measures.

c. Paucity of agricultural data to clearly determine effect of PL-480 on domestic production.

d. Lack of GOL regulation of commercial importation of rice.

16. INPUTS

Since 1980, the U.S. Government has provided $50 million of rice in 4 agreements. These agreements are:

		Million
FY 1980 Agreement, dated 8/13/80		$ 5
FY 1981 Agreement, dated 1/08/81		5
1st Amendment, dated 7/03/81		5
2nd Amendment, dated 8/28/81		5
FY 1982 Agreement, dated 4/06/82		15
FY 1983 Agreement, dated 12/17/82		15
	TOTAL	$50

17. OUTPUTS

In Memoranda of Understanding, the U.S. Government and GOL agreed to apply the proceeds, generated from the sale of rice under each agreement to high priority rural development and agricultural projects. Following is a list of the projects and the proceeds that have accrued to the projects:

FY 1980 Agreement, Dated 8/13/80	Allotment ($0)	Expended Through 11/30/83
1. Lofa County Rural Development	1,600,000	1,575,957
2. Bong County Rural Development	1,200,000	1,374,201
3. Agricultural Research	1,300,000	1,400,000
4. Livestock Production	300,000	127,045
5. Decentralization of Agricultural Sector	550,000	550,000
6. Agricultural Training Institute (RDI)	50,000	50,000
Total	5,000,000	5,077,203

FY 1981 Agreement, Dated 1/8/81		
1. Nimba County Rural Development	1,000,000	400,000
2. Decentralization of Agricultural Sector	1,000,000	1,000,000
3. Liberia Rubber Development	1,000,000	-0-
4. Buto and Dube Oil Palm	1,000,000	2,406,351
5. Liberian Coffee and Cocoa	1,000,000	1,000,000
Total	5,000,000	4,806,351

First Amendment to FY 81 Agreement, Dated 7/3/81		
1. Lofa County Rural Development	2,500,000	2,481,217
2. Livestock Project	100,000	189,589
3. Agricultural Research	1,500,000	1,500,000
4. Agricultural Extension (Recurrent Budget)	890,000	16,778
5. Agricultural Training Institute (RDI)	10,000	150,000
Total	5,000,000	4,377,584

Second Amendment to FY 81 Agreement, Dated 8/28/81		
1. Liberia Rubber Development	1,200,000	1,557,409
2. Buto Oil Palm	1,500,000	1,699,100
3. Liberian Coffee and Cocoa	1,000,000	-0-
4. Seed Multiplication	333,000	505,486
5. Bong County Rural Development	967,000	2,101,414
Total	5,000,000	5,863,409

FY 1982 Agreement, Dated 4/6/82

1. Central Agricultural Research (CARI)	2,130,000	2,130,000
2. Agricultural Training	150,000	93,000
3. Bong Rural Development	1,276,000	1,276,000
4. Lofa Rural Development	1,500,000	1,500,000
5. Nimba Rural Development	368,000	368,000
6, PfP	93,000	93,000
7. Livestock	15,000	2,772
8. Agricultural Bank	250,000	250,000
9. Liberia Rubber Development	900,000	900,000
10. Liberia Coffee and Cocoa	1,200,000	1,200,000
11. Agricultural Extension	1,938,000	1,938,000
12. Seed Multiplication	269,000	269,000
13. Liberia Rural Communication	342,000	342,000
14. Primary Health Care	500,000	16,545
15. 4 Rural Health Centers	600,000	282,435
16. Feeder Roads:		
Lofa	172,000	101,566
Bong	326,000	313,779
Nimba	122,000	73,844
Sinoe	345,000	323,509
Grand Gedeh	345,000	361,056
Grand Bassa	59,000	15,000
Cape Mount	319,000	360,807
Montserrado	199,000	238,916
Maryland	358,000	320,644
17. Rural Health Training Centers	530,000	370,704
18. Camp Mechlin	517,000	551,525
19. Bomi Woods	177,000	177,000
Total	15,000,000	13,869,102

FY 1983 Agreement, Dated 12/17/82

1. Lofa County Rural Development	1,900,000	-0-
2. Bong County Rural Development	1,500,000	95,840
3. Nimba County Rural Dev. (MOA)	460,000	115,000
4. Nimba Rural Technology (PfP)	100,000	-0-
5. Liberia Rubber Development Unit	950,000	23,750
6. Liberia Coffee and Cocoa	1,120,000	280,000
7. Rice Seed Multiplication	311,000	72,370
8. Central Ag. Research (CARI)	2,250,000	551,753
9. Agriculture Training (RDI)	200,000	50,000
10. Animal Multiplication	25,000	955
11. Saye Dube Research (Substation)	155,000	13,058
12. Agricultural Bank	250,000	-0-
13. Primary Health Care	475,000	-0-

Continued/.....

	Allotment ($0)	Expended Through 11/30/83
FY 83 Agreement (12/17/82) ...../Continued		
14. Liberia Rural Communication	484,000	121,000
15. Feeder Roads:		
Lofa	190,000	69,410
Bong	300,000	6,757
Nimba	130,000	15,980
Sinoe	300,000	35,211
Grand Gedeh	300,000	50,514
Maryland	300,000	34,549
Grand Cape Mount	250,000	27,922
Montserrado	250,000	21,869
16. SEFO	100,000	50,000
17. Highway Maintenance	1,500,000	355,000
18. Camp Mechlin	600,000	150,000
19. Rural Health Training (REC)	600,000	-0-
Total	15,000,000	2,140,938
CUMULATIVE TOTAL	$50,000,000	$41,134,587

18. PURPOSE

The evaluation confirmed that the Liberia PL-480 program has been successful in meeting its basic purpose, to wit, to help Liberia meet its foreign exchange requirements for imports of rice necessary to cover production shortfall and to generate funds for priority agriculture and rural development projects.

19. GOAL/SUBGOAL

The program goal is to help restore fiscal and economic stability in Liberia. It should be noted, however, that the PL-480 Title I program in and of itself is too small a resource to have a measurable impact on the total Liberian economy. At the same time, food aid in combination with ESF and DA assistance has been a significant element in U.S. and IMF efforts to stabilize the economy.

20. BENEFICIARIES

Since the PL-480 rice is primarily sold in Monrovia and other nearby urban locales, direct program beneficiaries are largely urban. Indirect program beneficiaries are Liberians who benefit from the numerous development projects financed by PL-480 sales proceeds. The evaluation team did not quantify program beneficiaries.

21. UNPLANNED EFFECTS

None

22. LESSONS LEARNED

See special comments below.

23. SPECIAL COMMENTS OR REMARKS

Although there are many other Title I programs in other countries using similar management techniques, Liberia's program is unique in the fact that it plays an integral part (with ESF and DA programs) in overall U.S. efforts for restoring economic and financial stability, to assist re-establishment of investor confidence and to support return to civilian rule in 1985.

While the Liberia program can only gain from the recommendations on establishing a PL-480 Coordinating Committee to ensure GOL compliance reporting, with continued improved management this program could provide a model for other countries in how PL-480 can be integrated into an overall U.S. Government effort.

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LIBERIA

<u>Food Aid: PL 480 Title I</u>

<u>Program Evaluation</u>

by

John R. Moore
University of Maryland

James Pagano
USAID/Liberia

Jim Stevenson, Team Leader
OICD, U.S. Department of Agriculture

with the collaboration of

Eugene Gardiner
Planning and Evaluation Division
Ministry of Planning and Economic Affairs

Simeon Moribah
Planning and Evaluation Division
Ministry of Planning and Economic Affairs

Joseph Musa
Planning Division
Ministry of Agriculture

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Summary

The Title I program, which amounted to $50 million from FY 1980 to FY 1983, is part of a larger U.S. effort to stabilize a worsening economic and an uncertain political situation in the aftermath of the military coup of 1980. Increased economic assistance to Liberia has demonstrated U.S. support and slowed the downward movement of GDP. Unfortunately, even with increased flows of development assistance, Economic Support Funds, and PL 480 concessional financing, the economy continues to move downward.

PL 480 Title I food aid is in itself too small and fungible a resource to have a measurable impact on the Liberian economy. However, at the same time, food aid is part of a larger U.S. assistance response, which was a significant element in multidonor efforts to stablize the economy.

It is unlikely that PL 480 rice sales are an undue disincentive to domestic rice production. PL 480 rice is a very important element in assuring the urban population an ample supply of the staple foodstuff, rice.

Rice has been and continues to be the commodity of choice for PL 480 sales to Liberia.

A. Liberia can absorb large quantities of rice.
B. Usual Marketing Requirements do not present as great a problem as they would with other commodities.
C. PL 480 sales do not adversely impact on domestic production since they (along with commercial imports) meet shortfalls in domestic rice production and their proceeds help the GOL support the farm-gate price of rice.
D. Rice imports provide essential nutrition to the consumer.

At the present time, the domestic market for feed grains is too small to warrant its importation under the Title I program.

The self-help measures in the 1980/81/82 agreements focused primarily on the agriculture sector. They tended to be expressed in terms which did not easily permit reliable assessment or accomplishment. While the GOL submitted -- albeit tardy — annual reports, these generally were compilations of project progress reports. They did not appear to influence future PL 480 levels and tended to

reappear for several years without major textual changes.

The Liberian Title I program is representative of how Title I aid was employed in a highly charged economic and political environment during the past three years. That decision to allocate Title I aid to Liberia had important political underpinnings. The aid provided stabilization and adjustment, objectives which were of first importance while more traditional long-term development objectives were secondary.

Foreword

"You never try, you never know."

-- Old Old Liberian Admonition.

As a recent AID study of Liberia's development pointed out:

> At no time has the Government of Liberia or Ministry of Agriculture suffered from a shortage of advice. Liberia is a relatively small, open country, and it has more than enough agricultural problems to go around. Of particular interest to agricultural development strategy are studies and positions formulated over the past year by outside groups and by the Government of Liberia. (Eriksson, et al. See bibliography for the complete citation.)

The evaluation team hopes that the GOL will continue to explore new strategies for increasing the productivity of its farm population while, at the same time, keeping well in mind why other suggested strategies and policies have been of little or no value. It believes that those counterpart funds generated through sales of PL 480 rice should continue to provide a means towards that goal.

This evaluation of the PL 480 Title I program in Liberia was conducted in July and August, 1983, by a three-person team in collaboration with the Liberian Ministry of Planning and Economic Affairs (MPEA) and Ministry of Agriculture (MOA). The topics examined by the evaluation team were largely inspired by a recent review of food aid under Title I of U.S. Public Law 480 conducted for AID by Edward Clay and Hans Singer. These issues fall within three broad topics, each of which was treated by a member of the evaluation team: Part I on programming and operations (Jim Pagano, USAID/Liberia); Part II on development impact (Jim Stevenson, U.S. Department of Agriculture); and Part III on macro-economic impact (John Moore, University of Maryland). In addition to the MPEA and MOA, the Liberia Produce Marketing Corporation (LPMC), the National Bank of Liberia (NBL), the USAID Mission and various government and private individuals lent their time, assistance, and experience to the evaluation. However, the findings, conclusions, and recommendations presented are those of the evaluation team and do not necessarily reflect the views of AID or the GOL.

GLOSSARY

AID	Agency for International Development
C.I.F.	Cost, Insurance and Freight. The cost of an imported commodity at the port of entry.
Counterpart Funds	GOL revenue that is generated by PL 480 sales and is programmed for development purposes through the PL 480 agreement.
DA	Development Assistance. U.S. Government monies used for development purposes, usually in development projects.
ESF	Economic Support Funds. U.S. Government monies used in the Liberia program for balance-of-payments and budgetary support.
F.A.S.	Free Alongside Ship. The cost of an exported commodity delivered to the ship.
FY	Fiscal Year. The U.S. fiscal year runs from October 1 to September 30. The Liberian fiscal year runs from July 1 to June 30.
GOL	Government of Liberia.
IBRD	International Bank for Reconstruction and Development (World Bank).
IMF	International Monetary Fund.
LPMC	Liberian Produce Marketing Corporation.
MCIT	Ministry of Commerce, Industry and Transportation.
MIA	Ministry of Internal Affairs.
MOA	Ministry of Agriculture.
MOF	Ministry of Finance.
MOFA	Ministry of Foreign Affairs.
MPEA	Ministry of Planning and Economic Affairs.
NBL	National Bank of Liberia.
NPA	National Port Authority.
OFD	Ocean Freight Differential. The difference between freight rates charged by U.S. vessels and those charged on world market. The U.S. Government pays the difference for PL 480 cargo.

PL 480	U.S. Public Law 480. This law authorizes various forms of U.S. food aid.
Self-Help Measures	As defined in Section 106(b) and 109 of PL 480, the steps a Title I recipient country agrees to take toward progress in agricultural development, rural development, nutrition and population planning and related areas. Specific self-help measures are negotiated by the recipient country and USAID, and recipients are further expected to submit annual reports detailing their progress.
Title I	A U.S. foreign assistance loan program that provides commodities to a recipient government, which in turn sells these commodities.
UMR	Usual Marketing Requirement. The usual level of commercial imports for a commodity imported under a PL 480 program. It is determined by averaging the level of commercial imports for the previous five years.
USAID	U.S. Agency for International Development Mission to Liberia.
USDA	U.S. Department of Agriculture.
USG	United States Government.

Introduction

The Liberian economy comprises a modern sector, located largely on the coast and containing the major terminal facilities for the export-related enterprises (agribusiness and mining), the major industrial and financial institutions, and central government offices; and the traditional sector based in the interior. Although agriculture forms the basis of the traditional economy, the tropical soils, scarcity of modern marketing, processing and transportation facilities, and limited access to improved technologies and other inputs mean that it is usually conducted at little more than a subsistence level. More recently, with the high levels of rural/urban migration, urban areas have developed their own traditional sector, characterized by more labor-intensive activities and high levels of unemployment and underemployment.

Despite sporadic efforts by the Government of Liberia (GOL) over the past decade to decentralize development programs and draw the traditional sector (geographically, culturally, and functionally defined) into the national economy, progress has been slow, hindered by high costs and financial constraints and the difficulties of reversing patterns of concentration established over the course of a century. Development in the 1960's and 1970's remained largely dependent on economic growth in the modern sector. At the present time, any effort towards redistribution and the inducement of more equitable patterns of growth are hampered by Liberia's economic crisis which began in the late 1970's, in which inflation has accelerated, external debt grown to an all time high of $600 million, and per capita income stagnated and actually declined in real terms in recent years.

The ongoing PL 480 Title I program was initiated in U.S. fiscal year 1980 in response to Liberia's growing need for budgetary and balance-of-payments support. This initial agreement, signed by the GOL and the United States Government (USG) in August, 1980, provided a $5 million low interest, long-term loan for the importation of some 13,000 metric tons (MT) of U.S. rice. In January, 1981, an agreement for U.S. FY 1981 was signed providing $5 million. This agreement was amended twice, adding an additional $10 million. The FY 1982 agreement, signed in April, 1982, and the FY 1983 agreement, signed in December, 1982, each provided $15 million, bringing the total level of assistance since 1980 to $50 million.

Understanding the nature and operation of the PL 480 Title I program is important in assessing its impact and effectiveness in the Liberian context. (Annex A gives a more detailed description of the Title I program as well as PL 480 programming in general.) In brief, the Title I program authorizes the sale of U.S. agricultural commodities on concessional terms to "friendly" developing countries. The concessional nature of Title I financial terms includes an extended repayment period (20-25 years in the case of the Liberia program) and low interest rates (2 percent in the initial period and 3 percent thereafter in the Liberian case).

Title I agreements specify the level of financing to be provided, as well as the commodities to be purchased and their estimated tonnages. Exact tonnages will depend on market prices at the time of purchase. The agreement will also specify a "usual marketing requirement" (UMR) for each commodity to be supplied. UMRs represent the average annual volume of commercial import purchases during the previous five years and are included in the agreement to ensure that Title I sales do not displace U.S. commercial export sales or unduly disrupt world prices of commodities and normal patterns of commercial trade. By design, Title I assistance is to be "additional" to the level of commercial imports which the recipient country would normally purchase.

Commodities imported through Title I are generally sold on the local market by the recipient country government—by the government-owned Liberian Produce Marketing Corporation in the case of Liberia. The proceeds generated by these sales are then available for use by the government. These currencies may be allocated to support "self-help" development measures specified in the Title I agreement or for program support in selected development sectors which have also been specified in the agreement. The self-help measures which are required as part of all Title I agreements are measures or policies which the recipient government agrees to undertake in order to qualify for the assistance. They may be directed toward a variety of activities, including agricultural and rural development, nutrition, and population planning. In the Liberia program, proceeds from PL 480 rice sales have generally gone to support rural and agricultural projects in the GOL's Development Budget, though limited support has also been given to related activities in the GOL Recurrent Budget. (The list of projects and activities supported by each PL 480 agreement is found in Annex B.)

The level of PL 480 assistance for each country is set towards the beginning of each U.S. fiscal year* by an inter-departmental committee which includes the Departments of Agriculture and State, AID and the Office of Management and Budget. The allocation of PL 480 funds is determined by several factors including the availability of funds and world-wide PL 480 programming requirements. However, the levels received for the Liberia program have generally been consistent with those requested by the U.S. Embassy and USAID Mission in Liberia. Once Liberia's level is set, the negotiation of the agreement takes place through the MPEA and USAID -- though the agreement itself is signed by the Liberian Ministry of Foreign Affairs and the U.S. Ambassador. Negotiation of each year's agreement centers on the self-help measures to be undertaken by the GOL (Part II, Item V of the agreement), and the programming of counterpart funds generated by the sales of the commodity (Item VI). Though these sales proceeds are the GOL's funds, the purposes for which they are used are mutually agreed upon by the GOL and USG. The programming procedures by which they are allocated are discussed in the following section.

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*The U.S. fiscal year runs from October 1 to September 30 with fiscal year 1983 beginning on October 1, 1982. The GOL fiscal year runs July 1 to June 30 with the year beginning July, 1, 1983, being termed FY 83/84. Unless otherwise noted, all fiscal years referred to in the text are U.S. fiscal years.

I. Programming and Operations of PL 480 Title I

A. Review of Programming Procedures

An essential element in the negotiation of the PL 480 agreement is setting the list of activities and projects to be supported by the proceeds from the rice sales which appears in Item VI of the agreement. Once the agreement is signed further negotiations take place between the GOL and USG to set specific levels of support for each activity, which is finalized in a letter from Ministry of Planning and Economic Affairs to the USAID Mission. The total amount allocated equals the amount of the PL 480 agreement (rather than the actual total proceeds earned by LPMC from PL 480 rice sales). The proceeds earned under an agreement signed during one U.S. fiscal year (October to September) go to support items in the budget of the next GOL fiscal year (July to June) beginning nine months later. Thus the proceeds generated by the December 17, 1982, Agreement are to support projects in the GOL fiscal year 83/84, starting July 1, 1983.

The negotiations on the project list and levels are conducted largely by the Ministry of Planning and Economic Affairs on behalf of the GOL, and the USAID Mission on behalf of USG. The two parties approach these negotiations with somewhat different perspectives. The MPEA views PL 480 counterpart funds as additional GOL resources to be allocated to the GOL Development Budget. As such, their programming is part and parcel of the regular GOL budgetary process. USAID views counterpart programming as an opportunity to insure that sufficient GOL support is given to AID projects and to activities of other donors that it deems vital. This is of particular concern in the Liberia program because the GOL's fiscal crisis has led not only to budget cuts, sometimes mandated by the International Monetary Fund, but also to delays in disbursements and shortfalls in the amounts disbursed under the Development Budget. Thus, USAID seeks to have an impact on the composition of the Development Budget via the PL 480 programming process.

USAID has developed a process for establishing its negotiating position involving the PL 480 officer, the technical division chiefs whose projects are to receive support from PL 480 proceeds, the Program Office, and the Director and Deputy Director. The Rural

Development Office receives the greatest support from PL 480 counterpart funds. All of its projects receive PL 480 funds directly or indirectly as part of the GOL's contribution. Thus the chief of the Rural Development Office has a prominent role in these negtiations.

The GOL position is developed in the process of drawing up the annual GOL Development Budget. MPEA negotiates the list of projects to be included in the agreement prior to the initiation of the GOL budget process. The GOL's inter-ministerial Budget Committee sets the level for the annual Development Budget generally after GOL consultation with the International Monetary Fund (IMF). Within this ceiling, MPEA allocates levels to each ministry for the development activities. The ministries then submit budgets to the MPEA which it compiles, reviews and finalizes into the Development Budget. Concurrently, MPEA and USAID initiate negotiations on the counterpart funding levels. However these negotiations may not be concluded until after the GOL fiscal year has commenced and the Development Budget published. The Development Budget usually undergoes revisions during the course of the fiscal year after the PL 480 negotiations are finished. In GOL FY 82/83, IMF pressure led to significant cuts in the Development Budget. In the new circumstances imposed by lower budget levels, cuts in some PL 480-supported projects may be warranted so that other projects do not suffer disproportionately.

One concern raised by this programming procedure is the limited role the Ministry of Agriculture has had to date in the allocation of PL 480 funds despite the major emphasis in the programming of these funds on agricultural development. On one hand, this would not seem to be a substantive concern since the PL 480 allocations fall <u>within</u> the GOL budget levels rather than in addition to GOL appropriations. However, PL 480 funding differs from other GOL funding in two respects. The funding levels are set in negotiations with the USG and changes in levels entail arriving at a new understanding. Thus, PL 480-funded items would seem to enjoy somewhat greater protection from budget cuts and adjustments than other items in the GOL budget. Also, since in theory, the PL 480 counterpart funds represent actual proceeds from sales (in fact, this has not been the case so far in Liberia,) these monies should be available when alloted, thus forestalling the problem of funds alloted not being actually available to disburse. This is of particular concern to agricultural projects whose requirements for funds are highly seasonal because of the growing season. Thus, it would seem that the MOA would have legitimate interest in the programming of these funds.

As noted above, the counterpart funds alloted and disbursed to the projects are supposed to be the proceeds from the sale of the PL 480 rice. In fact, there is no actual mechanism linking the sales proceeds to the counterpart allotments and disbursements. According to the Loan Agreements, sales proceeds are to be deposited in a special account. (The means by which rice is sold and the proceeds generated are discussed below in Section I. B.) After some delay, this account was established at the National Bank of Liberia in May, 1981. However, no deposit was made until April 16, 1982, some eleven months later. Deposits from the first two PL 480 agreements made prior to April, 1982, totaling $8,526,854.84, were apparently made directly to the Ministry of Finance's (MOF) general account. More curiously, between April and December, 1982, LPMC transferred $5,812,435.25 in PL 480 proceeds to the GOL, but deposits into the special account for the same period total $7,812,435.25. Moreover, several LPMC transfers do not show up as corresponding deposits in the NBL account. Why these transfers were not made directly into the special account or why an additional $2,000,000 was deposited into the account which did not come directly from LPMC is not known. Since December, 1982, however, all LPMC transfers have been made directly into the special account.

However, NBL's records do not show how this money was used. As of July 12, 1983, $13,812,435.25 had been deposited in the special account and $133.00 in withdrawals recorded. There is apparently no mechanism by which these funds can be alloted and disbursed directly to the projects that they are to support. Nor has any provision been made to transfer these funds to the government's general account from where they can be disbursed by a regular government check.

That is not to say that this sum of almost $14 million is sitting idly in the NBL. There is, in fact, no assurance that the NBL has funds to back up this account, and it probably represents a paper entry. Indeed, one of the greatest problems in analysing PL 480 proceeds is the highly fungible nature of GOL finances and the fact that the GOL has had to make frequent use of any and all cash available to it due to the severe liquidity crisis which has existed since 1980. Thus, while the NBL holds considerable PL 480 assets on its books, the GOL probably has used this addition to NBL's liquidity to meet urgent needs, be they for the Development Budget or other purposes. Likewise, LPMC itself holds considerable PL 480 funds which are due government as will be explained in the following section. Yet, the GOL derives substantial offshore funds from LPMC and may borrow money from LPMC at critical moments. Thus, it is almost impossible to trace net transfers between the various parties involved in the PL 480 program--LPMC, the NBL, the Development Budget and other GOL entities.

The allotment and disbursement of funds, then, bears no direct relation to the generation of rice proceeds. Quarterly allotments are made by the MPEA based on its evaluation of project needs and availability of funds. In turn, the MOF issues checks. These disbursements are designated as PL 480 funds by the accompanying accounting code. However, because of the government's present fiscal crisis, general account funds may not be available, checks may be issued late, or they may not be able to be cashed. Whether a project gets its GOL contribution on time is often determined by the persistance with which the GOL and USAID project staff pursues the MOF. As there is no relation between disbursements and rice proceeds, the PL 480-supported projects apparently enjoy no advantage over other items in the Development Budget in terms of disbursements being made on time or in the full amount of the allotment. Some projects, however, succeed in overexpending their budget. Annex F compares GOL appropriations, allotments, and disbursements of counterpart funds.

In reviewing the allotment and disbursement process, one must conclude that the GOL has expended money in counterpart funding that it has yet to receive from PL 480 sales. By the GOL's account, it has disbursed some $18,260,000 from the general account for counterpart funding under the 1980 and 1981 agreements. MOF records indicate that an additional $8 million has been disbursed during the first half of FY 82/83 against the April, 1982, agreement. Thus, counterpart expenditures through March, 1983, were probably over

$26 million and may well have exceeded $30 million by the end of the fiscal year in June. Yet, as of that date, the GOL (including LPMC) had netted a little more than $25 million from PL 480 rice sales as will be shown in the following section. It would seem that, fungibility notwithstanding, the GOL has had to use revenue from other sources to meet its PL 480 counterpart commitments. Given the fiscal constraints faced by the GOL, this must have entailed a certain strain on government finances.

Conclusions

-- There has been a lack of communication and coordination between the MPEA and MOA on counterpart programming.

-- The special account has not functioned as intended. Its balance of nearly $14 million probably exists only on paper.

-- No mechanism exists to directly link the PL 480 proceeds to counterpart disbursements. Thus, counterpart funding has been drawn from the GOL general account and has been subject to the same problems faced by regular GOL funding including delays in the release of funds and underdisbursements.

-- Despite the delays in receiving sales proceeds, the GOL has generally met its targets in counterpart expenditures even though these have sometimes been delayed.

Recommendations

-- The lack of coordination between the MPEA and MOA on counterpart funding is symptomatic of the lack of a coordinating mechanism within the GOL for PL 480 matters in general, including on such matters as implementation of self-help measures, sales proceeds generation, etc., which are discussed below. The Evaluation Team recommends that the GOL establish a committee to serve as such a coordinating mechanism, the details of which are given in Section IV. B. 1.b. of this paper.

-- The present funds in the NBL special account should be transferred to the GOL's general account to compensate it for counterpart funding already provided from GOL general revenues.

-- The GOL should clear the balances and reconcile and close the accounts of counterpart funding under past agreements.

-- A system should be established by which sales proceeds are used directly as counterpart funding. However, such a system must take into account the problem in generating these proceeds in a timely fashion, which is discussed in the next section. Thus, the details of such a system are presented at the end of the following section.

I. B. Review of Sales Proceeds Procedures

The major concern in examining the sales procedures for PL 480 rice is to determine why sufficient proceeds have not been generated in a timely fashion to fund the development projects set out on Item VI of the agreement. Because the rice purchased under the December 17, 1982, agreement is still being imported, only the sales under the 1980, 1981, and April, 1982, agreements can be reviewed.

Table I sets out the amount of PL 480 imports, the sales proceeds, and the amount of these proceeds that have been paid to government. Of the $35 million in rice imports, less than $21 million in counterpart funds has been transferred by LPMC to government. Moreover, though these funds were to support projects in the GOL's FY 80/81, FY 81/82, and FY 82/83, $6,300,000 of these funds were trans-ferred after the beginning of the last quarter of FY 82/83 and $1 million of this transfer after the fiscal year had ended. Thus, only part of the sales proceeds have actually been made available to the GOL to meet its funding commitments under Item VI of the agreement.

Several factors account for LPMC's failure to transfer funds to the GOL including losses on rice sales, outstanding debts from rice merchants representing almost 15 percent of gross sales, a lack of any system or schedule by which LPMC is to make payments to the special account, and LPMC's own financial situation which makes it reluctant to make these payments before it has to.

LPMC is the sole importer of PL 480 rice. It in turn sells rice to retailers and wholesalers. The selling price to retailers is set by the government at $23.30 per 100-pound bag and $22.85 for wholesalers. A twenty-cent discount is given to those wholesalers who take delivery directly from the port rather than from LPMC warehouses. (The retail price of rice is set by government at $24.00 per 100-pound bag in Monrovia, with higher prices in other localities based on estimates of transportation costs.) The cost to LPMC of freight insurance, handling and warehousing is estimated to be $104 per metric ton (MT), a breakdown of which is found in Table II.

TABLE I

Liberia: PL 480 Sales Proceeds and Payment to Government
FY 80, 81, and 82 Agreements

Agreement	A. Amount of the Agreement	B. Net Sales	C. Outstanding Debt	D. Net Proceeds	E. LPMC Transfers to GOL	F. Balance Due GOL
FY 1980	$ 5,000,000	$ 4,153,950	$1,669,628	$15,321,281	$14,539,290	$ 781,991
FY 1981	15,000,000	12,836,959				
FY 1982	15,000,000	15,000,000	5,264,206	9,735,794	6,300,000	3,435,794
TOTAL	$35,000,000	$31,990,909	$6,933,834	$25,057,075	$20,839,290	$4,217,785

Source: LPMC

Explanation:

Column A: This represents the F.A.S. price of the PL 480 rice imported under each agreement.

Column B: These are the value of the rice sales net of LPMC's costs. Note that under the FY 1980 and FY 1981 agreements the GOL lost money. The subsidy to the consumer for the FY 1980 rice was $ 2.88 per bag and for FY 1981, $2.76 per bag.

Column C: This is the debt owed to LPMC by its customers for PL 480 rice as of June 30, 1983.

Column D: Net proceeds are derived by subtracting column C from column B, i.e., the net sales for which LPMC has actually received payment.

Column E: This is the amount of sales proceeds that LPMC has transferred to the GOL as of June 30, 1983.

Column F: The balance due is the net proceeds that LPMC has not yet transferred to the GOL, i.e., column D minus column E.

TABLE II

LIBERIA: MARKET COSTS FOR PL 480
May 1983

	Per Bag	Metric Ton
FOB Gulf	14.92	328.24
Freight	2.58	56.76
Insurance	0.27	5.94
CIF Monrovia	17.77	390.94
Letter of Credit	0.29	6.38
Port Charges	0.30	6.60
Consular Fees	0.29	6.38
Import Duty	0.50	11.00
Cost of LPMC Operations	0.50	11.00
Freeport Distributor's Margin Wholesaler's Margin Retailer's Margin	1.00	22.00
	20.65	454.30
Price Stabilization Fund	3.35	73.70
Value at Monrovia	24.00	528.00

Source: Liberian Produce Marketing Corporation

These costs are deducted by LPMC from the sales proceeds. The "free alongside ship" (F.A.S.) cost of the rice (i.e. the amount of the Agreement) is to be turned over to the GOL to provide counterpart funds. Any balance goes to the "Rice Stabilization Fund," which is used to meet losses in buying domestic rice at a subsidized price of 18 cents a pound for paddy, or about 28 cents per pound of milled equivalent (see Section II. A. 1. below). Under the April 6, 1982, agreement, LPMC imported 43,291 MT of rice (954,395 bags) at approximately $345.00 per MT. Gross receipts from sales were an estimated $21,951,000 of which some $5,087,000 went to defray LPMC's costs, leaving $15,000,000 to go into the special account and $1,864,000 for the stabilization fund.

Under the 1980 and 1981 agreements, the GOL actually lost money on PL 480 rice. This was caused by higher world market prices for rice and by a low, subsidized retail price to the Liberian consumer of $20.00 per bag. Accordingly, LPMC proceeds from the first $20 million in imports were $16,990,909 (see column B, Table I). This left the GOL with the responsibility to contribute some $3 million from other revenues to meet its contribution to the PL 480-supported projects. Given present fixed wholesale prices, the proceeds from rice sales will be adequate to cover the GOL contribution as long as the F.A.S. price remains below $400.

A larger shortfall in LPMC's receipts from PL 480 sales is from outstanding debts. Under the first $35 million of PL 480 assistance, some $6.9 million is owed to LPMC by rice merchants. While some $1 million of this may be credit on sales in May, 1983, and thus, may not be past due, at least $5.9 million of these debts are overdue, and almost $1.7 million date from the 1981 agreement or before (column C, Table I). By one estimate, most of these debts are held by the numerous retailers and smaller wholesalers rather than by the major wholesalers. As part of a campaign to collect overdue bills, LPMC has published a list of over 110 customers with past due rice bills. According to LPMC, credit on rice sales has been tightened, with sales transactions now being limited to 30-day bills of exchange, 15-day post-dated checks or cash.

The generation of counterpart funds faces a further problem: the timing of sales. Table III shows the arrivals, sales, and stocks for PL 480 rice under

Table III

Liberia: Arrivals, Stocks, and Sales of PL-480 Rice, June 1982-May 1983

(100 lb. bags)

	1982 June	July	Aug	Sept	Oct	Nov	Dec	1983 Jan	Feb	Mar	Apr	May
April 6, 1982 Agreement												
a. Opening Stocks		136,452	209,336	147,082	221,354	134,259	314,562	222,404	192,746	152,490	106,954	42,611
b. Arrivals	225,263	208,412	104,089	208,297		208,334						
c. Sales	88,811	135,528	166,343	134,025	87,095	28,031	92,158	29,658	40,256	45,536	64,343	42,611
d. Closing Stocks	136,452	209,336	147,082	221,354	134,259	314,562	222,404	192,746	152,490	106,954	42,611	
December 17, 1982 Agreement												
e. Opening Stocks											231,482	231,482
f. Arrivals										231,482		115,741
g. Sales												60,024
h. Closing Stocks										231,482	231,482	287,199
i. Total Closing Stocks	136,452	209,336	147,082	221,354	134,259	314,562	222,404	192,746	152,490	338,436	274,093	287,199
j. PL-480 Sales as % of All Rice Sales	71	84	88	74	50	43	70	38	45	67	100	80

Source: LPMC

the April 6, and December 17, 1982, agreements. The last stock of rice delivered under the April 6 agreement, which was to support the 1982/83 GOL budget, were not sold until May, 1983, and assuming 30 days credit, payment was not due until June. Thus, these proceeds, almost $1,000,000, were not available during the budget year as they were intended. While one would hope to generate the needed counterpart funds prior to the beginning of each fiscal quarter when budget allotments are issued, some 10 percent of the April 6 rice had not been sold when the last 1982/83 fiscal quarter began.

Several factors contribute to the difficulty of selling PL 480 rice in time to generate the needed counterpart funds. One factor is timing of signature of the agreement, which can delay the ordering and shipment of the commodity (see Section I.C. below for more detail of purchasing and shipments). Given that the (U.S.) FY 1982 agreement was not signed until April, deliveries could not start before June. Once the rice began to arrive, it took twelve months to sell it all. Ideally, it would be best if deliveries began in February or March so that, given a twelve-month selling period, the last sales could be made prior to the beginning of the last fiscal quarter (April 1). The rice under the FY 1983 agreement, signed December 1982, in fact did begin to arrive in March, 1983. However, because LPMC was still carrying stocks from the April agreement, sales of the December agreement rice were delayed until May. Thus, the time lag between when counterpart funds are needed and when sales proceeds are generated may persist in the present agreement.

Another problem affecting the timing of sales is the fluctuating level of LPMC rice sales. As can be seen from line C of Table III, monthly rice sales varied from 166,343 bags in August to 28,031 bags in November. In part, this is due to the great seasonality of demand. Sales are lowest in November through March following the local rice harvest and are highest during June through August, just prior to harvest. A second factor is highly erratic sales by commercial importers. LPMC's share of the rice market at any one time varies from under 40 percent to up to 100 percent (line j., Table III). In theory, commercial imports are controlled by licenses issued by the Ministry of Commerce, Industry and Transportation which must receive prior approval from the GOL's Rice Committee (composed of MCIT as chairman, MOA as co-chairman, LPMC, Ministry of Presidential Affairs, with the MOF as an observer). In fact, this procedure seems to place little control on commercial imports since licenses far exceed requirements and many are never utilized or used fully. The lack of regulation leads to great uncertainty about the monthly demand for PL 480 rice.

Likewise, commercial importers are probably in a position to sell their rice first. Commercial importers almost universally claim to pay $19.50-$19.75 per bag CIF Monrovia. Once the mandatory $1.00 per bag contribution to the rice stabilization fund and handling costs are added, the commercial importer's reported profits are roughly equal to the legally mandated margin. Thus, the importer has no "excess" profits which would be contributed to the rice stabilization fund. However, commercial importers often import extremely low quality rice with broken grain contents of 50-100 percent. Thus their CIF costs are probably less than their reported costs of $19.50-$19.75. With these unreported profits, commercial sellers are in a position to offer inducements (like easy credit terms) which give them a competitive edge over LPMC. Thus, the GOL may lose in two ways. First, the commercial importers may not be making their full contribution to the rice stabilization account. Second, PL 480 sales may be delayed which add to LPMC'S warehousing costs and delay the generation of counterpart funds.

At present, LPMC places PL 480 proceeds in its general account. Prior to 1982, PL 480 accounting procedures were not complete, which in part accounts for why an unliquidated balance due govetnment from the 1980 and 1981 agreements still appears on the books (See Table I, Column F). From the proceeds LPMC deducts its costs for importing, warehousing, and selling the rice (Table II). It should be noted that only direct costs are deducted. The cost of general management and administration are borne by LPMC.

No system exists by which LPMC makes transfers of sales proceeds into the NBL special account on a regular schedule or on the basis of net sales receipts. Several factors seem to account for the slow and unsystematic nature of these transfers. First, since the deposits in the special account bare no relation to the disbursements of counterpart funds, the GOL has had no motivation to demand these transfers on a regular or more timely basis. Instead, transfers often seemed to have been initiated when GOL cash availabilities were short. This may also explain why funds were often not transferred to the NBL special account prior to 1982. Also, LPMC itself faces frequent liquidity problems, relying on an overdraft facility with its commercial bank to meet its bills. Since PL 480 proceeds are deposited into LPMC's general account, they serve to reduce this overdraft. Thus, transfers by LPMC to the GOL of proceeds already deposited in the account often increase LPMC's overdraft.

An additional problem faced by LPMC is the need to provide forward funding to ship the PL 480 rice. As is explained in the subsequent section, the PL 480 agreement finances only the F.A.S. cost of the rice. LPMC must open a letter of credit (L/C) to pay for freight and insurance. Moreover, the initial bills for freight come due before any sales proceeds are generated. Thus, LPMC prefers to retain proceeds from one PL 480 agreement to provide "up front" money for the next agreement.

Conclusions

-- For a variety of reasons, the generation and transfer of rice sales proceeds from LPMC to the GOL have been slow.

-- The lack of regulation in the issuance of commercial import licenses by the Rice Committee has had an adverse impact on the timely sale of PL 480 rice.

Recommendations

-- LPMC should set a schedule by which it will pay the balance due government for counterpart funds which government has already spent.

--LPMC should continue to tighten its credit policy and deny credit to delinquent customers. Where possible, it should reduce the number of customers it sells to. This is required if proceeds are to be transferred on a timely basis.

-- Agreements should be signed as early as possible (preferably in November or December). so the GOL can buy when U.S. prices are seasonally low and LPMC can time its imports to minimize its warehousing requirements.

-- The Rice Committee should regulate the commercial importation of rice so that supplies are more regular and LPMC can better plan its imports and sales.

With regard to establishing a system to link sales proceeds to counterpart expenditures:

-- The December 17, 1982 agreement proceeds should continue to be deposited in the NBL special account to facilitate tracking their generation. However, no attempt should be made to link counterpart disbursements to these deposits.

A system by which counterpart funding is provided directly from the proceeds of rice sales has two major requirements: a) that LPMC generate, collect, and transfer these proceeds prior to the fiscal quarter in which they are required; and b) that a mechanism be created by which special account deposits can be turned into disbursements without fear of being diverted to other uses in the general account.

While both steps are practicable, it will be well into the present GOL fiscal year before they can be instituted and changing systems mid-year would most probably produce more problems than benefits. Any attempt to link dibursements to proceeds before the two preconditions are met will make PL 480 financing more of a liability than an asset to the recipient projects. Thus, the present system should be retained for the ongoing program.

-- For future programs, sales proceeds should be used directly to fund counterpart disbursements.

This will assure that the PL 480 program will produce actual funds for the development budget rather than providing liquidity to meet LPMC"S and other GOL needs. Likewise, it will insure that funds alloted to projects will actually be available for disbursement. However, this recommendation is contingent on the two requirements noted above being met.

Specifically:

-- The GOL should adopt a charter of accounts that will link certain revenue categories (including PL 480 proceeds) to specific expenditures (including PL 480 counterpart funding).

Such a charter has already been designed under the AID-supported economic and financial management project.

--LPMC should establish an account for PL 480 proceeds at a commercial bank. Compensation for LPMC's costs could be transferred from this account to LPMC's general account on a regular basis. Transfers to the GOL could be made quarterly prior to the beginning of each fiscal quarter. If possible transfers should be made directly to projects rather than through the NBL or the GOL general account.

I. C. Review of Contracting, Shipping, and Warehousing

For the most part, the purchase and shipping of PL 480 rice is the responsibility of the GOL and is conducted by LPMC through a purchasing agent (Joint Services Group at present). Once the loan agreement is signed, the Commodity Credit Corporation of the U.S. Department of Agriculture (USDA) issues a letter of commitment with which the GOL can open a letter of credit at a U.S. bank to finance the purchase of rice. The GOL must also open a letter of credit with a U.S. bank to finance ocean freight. Ocean freight is paid by the GOL rather than financed by the loan.

Under the two 1982 agreements, the contracting procedures were apparently carried out relatively smoothly and quickly. Under the April 6 agreement, the first deliveries were begun by June and under the December 17 agreement, by March. It should be noted that the early signing of the FY 83 agreement in December allowed the GOL to enter the market when prices were favorable and provided more flexibility in arranging a schedule for shipment. Under the present law, PL 480 commodities must be delivered to the ship at the U.S. port by the end of the U.S. fiscal year.

Under the provision of the PL 480 law, a minimum of fifty percent of the commodity provided must be shipped on U.S. vessels, if available at reasonable rates. Any difference between the rates charged by the U.S. ship owner and those available on the world market is funded by the USG (Ocean Freight Differential or OFD). The GOL freight contracts are on "liner" (or "full berth") terms which require the owner to cover the costs for delivering the commodity to the pier at Monrovia, including the cost of stevedoring on board and demurrage. The U.S. firm which has shipped PL 480 rice to Monrovia, the Delta Lines, has complained that, under these terms, it has suffered excessive demurrage charges and other costs largely because of the shortcomings of Liberia's National Port Authority which have kept its ships in port twice the normal time required to discharge. Specifically, NPA has failed to provide forklifts, pallets, and backup power when Monrovia's electricity failed. These charges are certainly true though they may not be the sole source of the shipper's problems. The difficulties with NPA, however, must be well known to the shipper since as far back as April, 1981, LPMC has had to lend NPA equipment to help unload PL 480 rice from a Delta Lines vessel.

Because of these difficulties, USDA has moved to have freight contracts in the future changed to "free-out" terms (see State Cable 129947). USDA rationale for this change is that a) the problems with discharging vessels are "controllable by GOL officials;" b) liner terms provide no incentive for the charterer (LPMC) to expedite discharge; and c) the USG will incur lower OFD costs. However, the problems at NPA may not in fact be controllable by the GOL parties since they relate to lack of equipment which the GOL may not be able to afford and management inefficiencies that cannot be easily corrected. Likewise, the charterer seems to have made every reasonable effort to expedite the discharge of U.S. vessels, not only interceding with NPA to prompt quicker action but also supplying equipment, vehicles and even back-up electrical power to help discharge the cargo. Why OFD cost would be lower is not clear, unless delays in unloading U.S. vessels are longer than non-U.S. flag vessels or their demurrage rates higher.

The timing of shipments has an appreciable impact on LPMC's costs. As can be seen from line i of Table III, stocks in certain months can reach as much as 1100% of sales for that month. This represents a considerable expense since LPMC is forced to rent warehousing for much of this excess. This problem can be alleviated somewhat if shipment was not restricted to the U.S. fiscal year, which forces LPMC to take delivery of rice in September or October which may not be sold until next April or May.

The erratic timing of commercial shipments and sales also makes it more difficult for LPMC to manage its stocks. According to one source, four different vessels carrying a total of some 18,000 MT of rice were arriving or discharging at the port of Monrovia during one week in August, 1983. This included a vessel carrying 6,000 MT of PL 480 rice. Such a lack of coordination of deliveries strains the port and warehousing facilities far beyond capacity. It should be noted that two of these rice consignments were alleged to have been landed without import licenses.

LPMC's losses of rice in shipment and warehousing are hard to determine, and the matter is complicated by certain shortcomings in reporting. According to a USAID compilation of tallies carried out by the local Lloyds agent, shortlandings for the 1980, 1981, and April, 1982, agreements amounted to some 11,000 bags valued at just under $200,000. This represents barely one half of one percent of shipments.

However, this represents only the difference between the number of bags loaded and the number received at LPMC's warehouse --i.e., the number of bags that have disappeared during shipment. Pilferage during unloading seems the most likely cause. According to tallies conducted by the local Lloyds representative, losses due to broken, wet, stained or empty bags also amount to somewhat more than half a percentage point of shipments. Thus, losses during shipment and off-loading are probably between 1% and 1½%. For West Africa, such a record has been rated "fair" to "good" by different sources.

Losses from LPMC's warehouses cannot be determined apparently because of improper procedures followed by the warehouse staff. LPMC intends to start enforcing proper procedures for warehousing and selling.

D. Review of Reporting Requirements

PL 480 reporting requirements are extensive if not burdensome. For the recipient government, they include: shipping and arrival reports; quarterly reports on UMR compliance, utilization of PL 480 commodities, and deposit and payment of counterpart funds; annual reports on counterpart funding; and an annual report on fulfilling self-help measures. USAID is to facilitate reporting by the host country, evaluate the information submitted, independently verify the information where possible and forward its findings in a quarterly Field Compliance Report.

USDA has registered several complaints about the tardiness of shipping and arrival reports. More prompt action by LPMC is needed. Also, the reporting forms pouched by USAID are often never received by USDA or vice versa. Given that the information given on these forms is rather small . vessel name, date of arrival, amount landed, number of bags missing, etc.--an exchange of cables between USDA and USAID followed by written copies sent by APO mail would seem to be quicker and more reliable.

One aspect of the shipping and arrival reports which has led to much confusion is the requirement on reconciling differences between amounts loaded and unloaded. Section 306.14 of the Foreign Agricultural Service Regulations (FASR) states, inter alia, that

> reasons for the difference will be required in all instances...
> In cases where reasons are not presented, the country or private trade entity will either report claim action, or will submit a reason for not taking such action. Reports of claims filed will also reconcile reported differences.

It should be noted that the GOL (specifically LPMC) is responsible for either giving reasons why a PL 480 shipment is shortlanded, report that claim action was taken, or explain why no claim was made. According to USDA, LPMC has failed to report any insurance claims (and was presumed to have failed to have made any) since the program began in 1980 (see State Cable 148204.) This assertion was conveyed to LPMC in a letter from USAID on June 23, 1983. However, a review of the correspondence file indicates that LPMC has on occasion reported insurance claims to USAID which, in turn, has cabled these reports to USDA (e.g., 1981 Monrovia Cable 3946 and 1983 Monrovia Cable 2006). These apparently do not suffice for the reconciliation accounting required by USDA. As the FASR is not clear as to how such reconciliations are to be reported, USAID needs to clarify this point with USDA and LPMC.

Quarterly Field Compliance Reports are complete through the third quarter of calendar year 1982, even if their treatment of some issues (such as the exportation of rice) is perfunctory. Since the third quarter USAID seems to have been unable to extract the required data from the Ministry of Commerce, Industry and Transportation.

GOL reporting on self-help measures is evaluated in Section II. B. 1.

Conclusion

-- Compliance reporting by the GOL has often been tardy and incomplete.

-- Reporting requirements on insurance claims are not understood (by the Evaluation Team, at least).

Recommendations

-- USAID should clarify with USDA the reporting requirements on insurance claims.

-- USAID should review reporting requirements with the responsible GOL entities and ask that the GOL identify the individuals who will be responsible for meeting these requirements.

Specific reporting requirements which need to be reviewed are:

- Accounting for insurance claims on Shipping and Arrival Reports.
- Calculating and reporting production and consumption estimates for Usual Marketing Requirements.
- Reporting on self-help measures.

E. Usual Marketing Requirements

A major concern in assessing the impact of PL 480 commodities is the effect they have on the regular commercial trade of these commodities, or the so called "Usual Marketing Requirements" (UMRs). UMRs are the target level for commercial imports for a given year. This target is intended to insure that PL 480 imports do not displace or disrupt usual levels of commercial imports. UMRs are based on the average levels of commercial (i.e., all non concessional) imports over the previous five years. The recipient government is required to report quarterly progress made towards meeting these targets. To date, such reports have been submitted through the third quarter of calendar year 1982. These UMR reports are based on data submitted by the Ministry of Commerce, Industry and Transportation (MCIT). Other official sources place commercial imports higher. (These higher data are found in Table V .) Since it is the MCIT data that has been reported to USDA, however, only it will be used in this context. Where it is not available, LPMC data has been used since its estimates most closely approximate MCIT's. It should be noted, however, that much of the data is incomplete, inconsistent and not comparable. Table IV shows data on UMR and actual commercial imports. As can be seen, the UMR for the 1980 PL 480 agreement was apparently based on the average of MCIT's reported rice imports for the previous five years (column c and d).

However, while the UMR was adjusted upwards with subsequent agreements, the amount of these adjustments do not reflect the total increase in the running five year average. Also, it should be noted that commercial imports have been declining since 1980 (the first year of the PL 480 program) and have fallen below the UMR level in 1982 and may fail to reach it in 1983 based on projections.

Table IV Liberia: Commercial Imports and UMR's (1000s of MT's)

	(a) Calendar Year	(b) U.S. Fiscal Year	(c) Average of Previous 5 Years	(d) UMR
1975	31			
1976	37			
1977	53			
1978	50			
1979	64			
1980	72	64	47	47
1981	58	60	55	47.5
1982	46*	38	59	50
1983	29**		57	48

Source: MCIT and LPMC

* LPMC estimate.
** LPMC projection.

At first glance, the relationship between the importation of PL 480 rice and the decline in commercial imports may seem direct and obvious, since PL 480 rice seems to have displaced commercial imports from the market. (See figure E-1 in Annex E for a graphic representation of trends in commercial and PL 480 rice imports since 1980.) However, closer scrutiny of the data indicates that the relationship is, in fact, much more problematical.

One very important factor is the nature of the "commercial" market for imported rice. As noted above, "commercial" imports mean rice purchased at non-concessional (i.e., world market) prices. Private traders, however, account for only a part of these imports with the balance being purchased by institutions whose motivation is not commercial. These institutions include LPMC and the major iron ore mining and rubber concession companies which import rice for their employees. The mining and rubber concessions have been major importers of commercial rice, accounting for almost a quarter of all rice imports in 1978 and averaging 12,000 MT a year during 1978-79. Though data on their recent imports are incomplete, indications are that these companies have cut their purchases because of the ongoing slump in the iron ore and rubber industries. Partial data for 1980-82 indicate that imports by the mining and rubber concessions fell by a third from 1980 to 1981 and rose only slightly in 1982. Since further retrenchments have occured over the past twelve months including the closing of a major rubber plantation by the Firestone company, imports by the concession companies have probably declined further in 1983.

Likewise, LPMC's commercial rice imports have not been for commercial reasons. In the aftermath of the 1979 "Rice Riots" (sparked by rumors of a retail price increase) and the 1980 military coup, LPMC has had the responsibility of insuring that there are no rice shortages that might cause unrest. In 1980, LPMC purchased 57 thousand MT of commercial imports compared to 13 thousand MT of PL 480 rice. Even in 1981 when there was a 170 percent increase in PL 480 imports, LPMC still imported 22 thousand MT on commercial terms. However, LPMC's commercial imports were insignificant in 1982 and stopped altogether in 1983. This reflects LPMC's deliberate policy of withdrawing from the commercial rice import business and leaving all commercial imports to the private sector. Commercial rice imports have been a major drain on LPMC's financial resources which detracted from its primary function of exporting agricultural products. PL 480 imports have allowed LPMC to withdraw from the commercial market while still insuring ample rice supplies for the country.

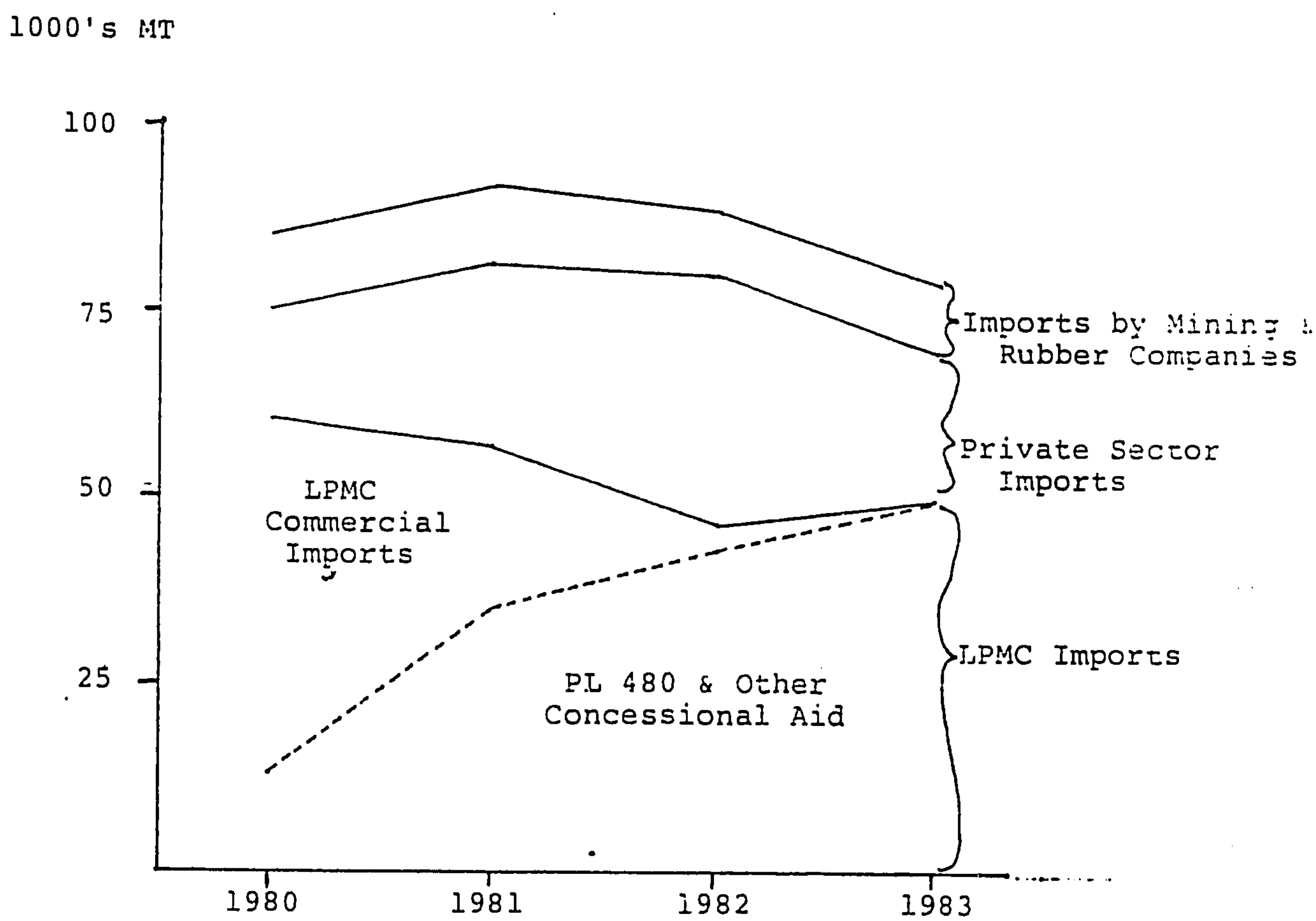
Thus, declining commercial imports have not been caused by PL 480 rice displacing private sector imports. As Figure I indicates, private traders actually increased their rice imports from 1980 to 1982 while LPMC's total rice imports (combined commercial and PL 480) declined. However, private sector importers have suffered as the overall level of rice imports has declined. This decline is particularly evident in the projections for 1983. What accounts for this decline? One explanation is the difficulty private sector importers may have in obtaining offshore funds to make purchases. Likewise, high interest rates may have made the cost of financing imports prohibitive for some. Increasing world prices for rice during 1983 may have also decreased the profitability of importing rice. However, the fact that LPMC has carried substantial stocks of rice over the past twelve months (see Table III, line i) would indicate that there has been no rice shortage and that, in the past year at least, the decline in imports is due to falling demand rather than an inability on the part of the private sector to supply the market.

Several factors may account for this decline in demand. Part of the lowering demand may have been caused by the increase in the retail price of rice in 1981 (though demand for a staple such as rice is notably price inelastic). Likewise, the stagnation in Liberia's economy and declines in personal income, especially among government employees who took substantial wage and salary cuts in late 1982, may have caused some consumers to switch to cheaper staples. While, one would expect the income elasticity for rice to be quite small, a study found that it was far from being completely inelastic. (See Pay-Bayee, et al, An In-House Non-Technical Report..., 1983.)

Another factor which may account for much of the decline in 1983's imports is the bumper crop of domestic rice produced in 1982 which is estimated to be 13 percent greater than the average for the previous five years.

Figure I

Liberia: Relative Shares of Rice Import Market 1980-1983



Source: LPMC and MCIT

Finally, there has probably been a decline in "leakages" of rice across Liberia's borders into neighboring countries. With the end to consumer rice subsidies in 1981 and the appreciation of Liberia's currency (i.e., the U.S. dollar) against those of its neighbors, Liberian rice is no longer a bargain in Guinea or Sierra Leone. Indeed, indications are that rice is "leaking" into Liberia because of the higher price it can fetch there.

Thus, it would seem that PL 480 rice is for the most part not responsible for the decline in commercial imports by the private traders or the mining and rubber concessions. PL 480 has relieved LPMC of the financial burden of importing commercial rice which hampered its primary task of marketing Liberia's agricultural produce. It is only in this area that PL 480 rice seems to have directly displaced commercial rice.

II. The Development Impact of PL 480 Title I
A. Incentive and Disincentive Effects
1. Comparative Prices of Local and Imported Rice

Any analysis of disincentive effects* of food aid needs requires attention to the objectives which food aid is intended to serve, and to the recipient's a) overall food import policy, and b) policies affecting domestic food production.

Government policy in relation to rice price and imports is illustrative of the dilemma between subsidized food supplies to the urban area and efforts towards increased domestic production. Pricing policy during the past few years had ranged from a tax on imported rice amounting to as much as 65¢ a bag in the mid 1970's to subsidizing the consumer by as much as $2.80 a bag during 1980/81 (see Table I). With a view to encouraging domestic production, in September 1981, the producer price of rice was raised by 50 percent to 18¢ lb. paddy, which entails a substantial subsidy for the domestic producer. At the same time the retail price of rice was raised by 20 percent so as to eliminate losses on rice operations of the LPMC (IMF, 1983). The present rice price policy supported by government provides for a considerable subsidy to the local producer through the rice stabilization fund. Commercial importers are required by Government to make a minimum contribution of $1.00 per bag (in addition to any profits over the legal maximum if CIF and other costs are less than $22.65). LPMC's contribution to the stabilization fund is not pegged at any stated rate, but amounts to their net profit per bag.

With the September, 1981 increase in the price of paddy to $.18 a lb., LPMC could end up in 1983 paying producers $616/MT of clean rice equivalent. With other added costs such as reimbursement for transport of paddy to the mill, $.03 a pound milling cost, and a 6 percent commission paid to cooperatives, the total cost to LPMC may well reach $750/MT. This in contrast to the market cost of imported rice of $530/MT means a net loss to LPMC of $220/MT or $10.00 per bag (Table II). The spot price for year end stocks of rice FAS U.S. gulf ports as of July 19,1983,was $380/MT, approximately half the cost

*For a more detailed review of pricing policy and disincentive effects, please see Annex E.

Table V

Liberia: Milled Rice Production, Imports, Availabilities, and Consumption, 1975-83
(1000s of MTs)

	Estimated Net GOL Domestic Production (MT)*	Commercial Imports (MT)	PL 480(MT)	Net Available (MT)	Estimated Consumption Per Capita (kg
1975	125	31		176	114
1976	141	38		179	113
1977	147	56		203	125
1978	141	61		202	121
1979	149	74		223	130
1980	125	74	13	212	120
1981	147	65	30	242	132
1982	160	40	43	243	130
1983	141 *	37**	45	242	130

Source: Selected Liberian Government documents

* Estimate based on averaging of 1977/1981 production

**Estimates of commercial and concessional imports of Liberia's domestically produced rice. Future government policies toward rice pricing are as yet unknown. However, current indications are that government may be seeking pricing measures which will move in closer concert with the world price for rice, which appears to be increasing in an effort to assure adequate supplies for the urban market.

The World Bank draft Agricultural Sector Review (1982) points out in its economic analysis of both traditional and improved upland rice, as well as on four basic models for swamp rice cultivation, that rice is a poor investment choice if import substitution is the objective. For upland rice to be a positive investment choice to the farmer, yields would have to double, or labor requirements would have to be reduced by half, to be competitive with imports for Monrovia delivery. Swamp cultivation labor requirements, given current yield levels, would have to drop to 78 mandays per hectare from 301 mandays before this technology would be profitable.

Rice grown for home consumption is much more economical. The high cost of transportation and distribution charges makes it difficult for imported rice to compete with domestic rice in rural areas. Imported rice is available in the rural areas, but the vast majority of the rural population consumes rice grown on their farms.

Sales of PL 480 Title I food aid to Liberia is intended to provide counterpart funds for USAID and the Liberian Government's agricultural/rural development projects. The disincentive issue pertains to the role of PL 480 in support of government's overall rice policy for meeting rice needs which, defacto, acknowledges that domestic rice production is inadequate to meet the demands of the local market. In crop year 1983, LPMC reported purchasing 22 million pounds of paddy rice, equivalent to about 6,400 MT of milled rice. This is a 215 percent increase over the previous year's purchases and, in part, reflects farmer respnse to the government's increase in the price of paddy harvest. It should be noted that weather was a very important factor during the 1983 crop year, with plentiful rains contributing to the bu per rice crop. No doubt it will take government several years to determine what effect its increase in the farm gate price of rice has had on domestic production and sales. Table VI provides some indication of estimated future rice production and import requirements for Liberia to the year 2000. Government's only hope for reducing its ever increasing import requirements will be a substantial and sustained increase in domestic production.

One unscientific survey of a group of small farmers in Bong County found that farmers would not hesitate to sell their surplus rice at 18¢/lb. If the price went to 20¢ or 25¢/lb., they would try to clear more land and grow more rice. Those farmers indicated a number of their major constraints which included an inadequate supply of field labor, a lack of technical packages to increase their yield per acre and a weak marketing system.

At this point in time, the Government of Liberia lacks a clearly defined national food import policy. Also at issue is government's inability to articulate a domestic policy which reflects the real world constraints to increased rice production in Liberia. As a result of this situation, even the present defacto domestic policy does not, we believe, place undue disincentives to domestic producers. The present PL 480 program does, however, support the government's overall national objectives in providing food security.

Table VI

LIBERIA - PROJECTED RICE IMPORT REQUIREMENTS
(1000s of MTs)

Year	Estimated Domestic Production Levels	Seed & Losses	Net Domestic Availability	Total Demand	Import Requirements
1983	182	23	159	253	94
1984	186	23	163	261	98
1985	189	24	165	269	104
1986	192	24	168	278	110
1987	196	25	171	288	117
1988	199	25	174	297	123
1989	202	26	176	307	131
1990	206	26	180	317	137
2000	244	33	211	439	228

Source: World Bank, 1982

2. Proportion of PL 480 to Total Supply/Imports

Domestic rice production over the past seven years (1976-82) has averaged 141,000 MT clean rice and does not show any strong upward trend. Total imports during the same period have steadily increased from 38,000 MT in 1976 to an estimated 92,000 MT in 1983. This increase is due in part to general growth in population, estimated at 3.5 percent a year, an increase in the movement of people to the urban areas, most particularly Monrovia, large public sector wage increases after the 1980 coup, and a general taste preference for rice. Liberians have a particular taste preference for U.S. long grain parboiled rice over other kinds of imported rice.

PL 480 rice imports have steadily increased (see Table V) from 13,000 MT, 16 percent of total imports in 1980, to an estimated 45,000 MT in 1983, which accounted for 55 percent of total imports, 20 percent of total market. Issuance of commercial import licenses have also increased during this time. With the exception of a few major importers, these licenses have not been fully utilized. The reason why these import licenses were not used is unclear though, as noted above in Section I. E., several factors may have contributed to the decline in private sector rice imports. Over time the importation of PL 480 rice has had a stabilizing effect on the market by providing a buffer stock to the urban consumer. Entry of commercial importers into the rice trade has primarily been a factor of their own confidence in supply/demand responsiveness of the marketplace.

3. Distribution Patterns of PL 480 Rice

Reliable information on the actual distribution pattern of PL 480 rice is not available. What has been determined from discussions with selected wholesalers, and from observations made by the Ministry of Agriculture and USAID personnel does provide some indication as to the availability of imported rice outside of Monrovia.

From the three wholesalers interviewed, two were most helpful in providing "guesstimates" of their sales destined for any of its customers who purchase rice by the truckload. The first two merchants' combined upcountry sales were guesstimated at 5,000 bags a month or 60,000 bags a year. LPMC estimates of the Monrovia market requirements are 110,000 bags a month or 1,320,000 a year. Assuming that very little domestic rice enters the Monrovia market and the total imported rice into Liberia is 2,024,000 bags a year, that would leave approximately 700,000 bags a year for sale outside of Monrovia.

It would appear that -- for a price -- imported rice is available throughout Liberia. Transportation charges added to the Monrovia retail price of $24.00 are the major factor limiting consumer purchases. Official upcountry transportation charges established by the Ministry of Commerce, Industry and Transportation, and confirmed by independent truckers interviewed at the various rice wholesalers, range from $.60 a bag to Bomi Hills, $1.75 to Sanniquille, to $11.00 a bag for rice sold in Harper, Cape Palmas. The official price may also vary slightly higher for the more distant points -- Tappita, Zwedru, Sinoe, and Cape Palmas -- depending on the road conditions. As might be expected, the shipment of rice upcountry peaks just prior to the local rice harvest season when domestic stocks are nearly depleted.

Information on re-exports of rice to neighboring countries is not available. Ministry of Agriculture officials have indicated that Liberian customs officials have been instructed to turn back any trucks loaded with more than a few bags which might try crossing out of the country through their border posts. No information regarding frequency of truck "turnbacks" by Liberian customs officials was available. However, as noted above in Section I.D., smuggling rice <u>into</u> Liberia from neighboring countries may now be more lucrative because of higher Liberian prices and the appreciation of Liberia's currency, the U.S. dollar.

4. Effect on Local Production and Distribution

It appears that significant increases in domestic rice production awaits improved appropriate (labor saving/labor augmenting) technologies which are designed to assist the small farmer. Such techniques would allow the farmer to reduce those present labor input requirements -- such as brushing, cultivating, weeding -- while assuring an adequate supply of rice to meet household requirements. The World Bank, in its 1982 sector analysis, estimates that the net financial return in family labor dedicated to rice production ranges from $1.92 per manday traditional rice cultivation to $8.60 per manday for double cropping of swamp rice, while returns per manday for tree crops range from $1.46 for poorly rehabilitated rubber to $11.00 per manday for oil palms. In its report, the World Bank recommends a government strategy which encourages farmers to cultivate rice in the lowlands and to grow tree crops in the upland areas since swamp rice carries a yield potential two or three times of upland rice, and, on uplands, tree crops offer a far superior financial and economic return -- three or four times -- compared with upland rice.

Food aid ties into this strategy -- over the longer term -- by assisting in the overall agricultural development process through the strengthening of export lines -- cocoa, coffee, rubber, and possibly other crops such as cassava. Thailand provides an excellent example of the strengthening of export lines with their exportation in 1982 of $870 million worth of cassava to the EEC for use as starch as well as ingredient in livestock feed. Although Liberia would not be self-sufficient in rice production, it would increasingly replace food aid imports with commercial imports. This is indeed the broader rationale of "market development", which in turn, merges with the development objectives of food aid (Clay, Singer, 1982).

Food aid does not <u>cause</u> urban bias (Clay, Singer, 1982). There are many other and more fundamental reasons (desire for modernization, political importance of urban areas, a bias towards capital versus labor intensive technology, higher status for increased industrialization). Food aid may be a facilitating factor. In the absence of food aid, government might explore other income generating measures, such as, a tax on export crops, increased general taxation, or indirect taxes on essentials. Given the present tenuous situation of the Liberian economy, any of these possible measures for increasing revenue for use in agriculture and rural development are less desirable than food assistance (Clay, Singer, 1982).

5. Effects on Economic/Political Dependency

Summary:

The PL 480 Title I program has been supportive of U.S. policy in Liberia. The program along with ESF and Development Assistance has enabled the United States Government to support the Government of Liberia in its development program and more importantly, to provide support to Liberia during its current economic crisis.

At 15 million dollars a year, PL 480 Title I assistance is a significant component of overall U.S. economic assistance and, as such, is important to achieving U.S. objectives. It is valued highly by recipients because:

1. PL 480 provides rice which is particularly important to a government which might face domestic unrest sparked by urban shortages of its staple foodstuff;
2. Commodity sales generates counterpart funds for USAID-supported development projects:
3. As part of a multifaceted assistance program, PL 480 provides a highly visible and tangible show of support from the U.S. Government.

PL 480 is considered to be a flexible and relatively fast disbursing form of U.S. assistance. In Liberia, the U.S. Government has encouraged the use of PL 480 Title I as a major tool for agricultural/rural development. The dialogue which has developed has permitted the Government of Liberia to focus on their development needs but also has given them additional resources in meeting these needs. The approach used by the Mission has emphasized to the Government of Liberia that:

1. The United States was serious about development and economic reccvery in Liberia;
2. The United States Government expected the Government of Liberia to be serious about these, too.

What effect a reduction in the level or elimination of Title I assistance would have had on other African countries' perceptions of U.S. support for the PRC government is beyond the scope of this review. Certainly, Liberia now serves

as a demonstration of U.S. willingness to stand with its traditional friends during times of economic uncertainty. U.S. aid also demonstrates our commitment, beyond rhetoric, to the development of democratic institutions and the return to civilaian rule in which human rights are respected.

6. Effects on Taste and Dietary Preference

Taste Preference

One serious criticism of food assistance in terms of long-run or permanent disincentive effects is that it may result in a change in tastes, shifting demand from local to imported food products. As an objective criterion, this is a negative aspect of "market development."

Although shifts in taste away from traditional staple foods may go hand in hand with food aid, these are not causally connected. Changes of this type are a result of urbanization and gradual "modernization," and the association of traditional foods, particularily the tuber crops, with a poor or "obselete" lifestyle. In the case of Liberia, changes in taste in favor of parboiled rice began many years before PL 480 with the higher income groups who would not directly benefit from food aid.

In 1981 USAID/Liberia reported in its economic justification of the PL 480 Title I program that urban Liberians have over the years acquired a preference for U.S. long grain parboiled rice with from 25% to 45% broken grains. The Liberians have various complaints about other types of imported rice (smell, taste, texture, different methods of preparation, and real or perceived digestive problems) and will only eat other types of rice when the preferred alternative is not available.

In 1983, this taste preference still holds true. In fact, LPMC is considering discounting for quick sale 2,000 MT of Thai short grain "sticky" rice which is presently on hand.

Effects on Diet

Dietary habits --patterns of food consumption-- vary considerably between Liberians who live in urban, coastal rural, and interior rural locations. The estimated average per capita consumption of rice in Liberia is between 120/130 kg per year (World Bank, 1982). It is important to note, however, that the average per capita consumption figures conceal some variability between regions, including urban, coastal rural, and interior rural. Rice plays a less significant role in the diets of those living along the coast or in an urban setting (ERS/USDA, 1983). Recent surveys (World Bank, 1982) suggest that the average per capita consumption of rice varies from the national average —120/130 kg per year— to as much as 225 kg per year in the major rice producing counties of Lofa, Bong, and Nimba.

Per capita rice consumption in the urban areas averages less, estimated as 96 kg per year, which is probably due to the availability of other food sources. For those living in the urban and coastal rural areas, cassava serves as a substitute for rice. Per capita cassava consumption in these areas is estimated at 87.0 kg/yr. urban; 95 kg/yr. coastal rural; as compared to 45kg/yr. interior rural (Monke, 1981).

Rice is an expensive dietary component. Unfortunately, there are no consumption figures which adequately reflect rice/cassava consumption patterns of the urban poor. Indications are that, as a group, the urban poor consume significantly greater quantities of cassava and other tubers as opposed to their consumption of rice (ERS/USDA, 1983).

Unlike fresh meat, rice is regarded as essential at least for the major daily meal; only the most poverty stricken do not buy it. Whenever possible, people buy rice by the 50 or 100 pound bag, thereby saving $2.00 or $3.00, compared to the costs of purchasing that amount by the cup (1 lb.) from market sellers. With this once monthly purchase coinciding with payday, the ability to accumulate sufficient money to buy a 100 pound bag of rice sharply diminishes among the smallest and largest households (Handwerker, 1970).

Information regarding the impact of PL 480 rice on meeting the nutritional needs of the Liberian people was not readily available. Future studies in this area might prove helpful in establishing some nutritional benchmarks for the nation. Even without these nutritional benchmarks, the team did not feel that the importation of PL 480 rice into Liberia was inappropriate.

Conclusion

--Overall, the PL 480 program is not an undue disincentive to domestic production.

Recommendations

--Encourage increased rice production in the short run through continued PL 480 counterpart funding of technical assistance projects and associated self-help measures.

--Stimulate increased rice production over the longer run by gradually increasing rice prices to the farmer.

--Continue agricultural research to develop high-yielding rice varieties and suitable technological packages for small farmers.

B. Effect on Government of Liberia Development Policies and Institutions

1. How Effectively Have Self-Help Provisions Been Utilized?

Section 106 (b) of PL 480 states in part that all local currencies will be used for economic development purposes described in the self-help measures, as well as for programs of agricultural development, rural development, nutrition, and population planning. Both self-help measures and the provision for use of local currency generations are negotiated between USAID and officials of the recipient country government. As part of the Title I program, the recipient government also agrees to submit an annual report detailing progress made in implementing self-help measures.

Self-help measures identified for Liberia in PL 480 Title I agreements for FY 1980, FY 1981, and FY 1982 are practically identical and included projects which focused primarily on agricultural development. The majority of the individual basic measures were stated in general terms that were not easily qualifiable or measurable. No doubt it was difficult for government and USAID to determine actual progress in meeting the requirements of these measures. Self-help measures identified in the 1983 agreement, however, included a number of specific measures which were time framed with specific measures of project success.

With the exception of the FY 1983 agreement, efforts to involve the line ministries in the development of specific self-help measures appears to have been minimal. As a result, the performance of the line agencies which were expected to take action in an effort to meet these general reporting requirements was not entirely satisfactory. Those reports generated were essentially a collection of progress reports submitted by the line ministries on all activities related to the intent of the self-help measures. General in nature, these reports did not focus on a clear evaluation of the Liberian Government's response to these measures. In some instances, the silence of the reports on a specific subject implied clearly that no action had been taken to comply with one or more of the measures. The reviews by the Mission and Washington of these reports appear to have been perfunctory, and these reports had little influence on decisions which might have affected the course or content of this food assistance program. (See Annex C for Implementation Report.)

It is hoped that with the interest displayed by the Mission beginning in FY 1983 in the implementation of self-help measures and in the increased cooperation and participation of the various line ministries, future reporting requirements will be made in a much more timely and clearly focused manner.

Specific project activities for which PL 480 sales proceeds were used have steadily increased and, in the most recent agreement, cover seventeen projects. (See Annex B for a detailed list of specific projects and Annex D for an analysis of past self-help measures.)

Although most studies of the development impact of Title I have focused on macroeconomic issues, its most direct potential may lie in its leveraging effect on policies, programs, and projects. Though this leverage may be too limited to influence deeply entrenced political and economic interests, it can help in the more precise targeting of limited resources and influence the choice of projects at the margin.

Across-the-board generalizations regarding the impact of Title I are somewhat dubious. As a basic mechanism for transfer of resources, Title I is a tool whose potential for positive or negative contributions to a variety of objectives is dependent upon the skill, creativity, and imagination of Mission and Embassy actors--as well as the Washington decision makers. The potential contradictions and inconsistencies in Title I programs are the result of the program's multiple objectives. Targeting of sales proceeds and its effective integration into the overall USAID program is unlikely to be successful unless the recipient government is committed in principle to the process and where at least some of the proceeds are targeted to the projects of interest to the host country.

Although legally Title I revenues belong to the Liberian Government and can be used as the government sees fit (within certain statutory and negotiation limits), AID has maintained substantial leverage over the allocation of these revenues.

The Title I program in Liberia will most probably continue for at least the next several years. In order to provide a forum for broader policy dialogue, as well as higher levels of project integration, discussions should begin now for a multi-year Title I program. The use of multi-year programs for Title I was recently endorsed by the U.S. Secretary of Agriculture.

In summary, it is reasonable to suggest that over time, the Mission's innovative and varied use of Title I funds has had a positive impact on its development program comparable to that of an equivalent amount of direct grants and loans. Title I funds serve, in many instances, as Liberian Government counterpart funds. Title I funds were used to augment the effect on ongoing programs in ways which took advantage of their potentially greater flexibility. In several instances (1980 and 1981 agreements), more Liberian Government funds went into programs than government received from the sales proceeds of the PL 480 rice. As a matter of fact, during those years the GOL dedicated about $2 million more than they received in sales proceeds.

2. Review of the Use of Counterpart Resources: Selection of Projects, Programming Procedures, Evaluation of Projects

The Liberian Ministry of Planning and Economic Affairs works closely with the Mission to assure compliance with those agreed upon levels of project support (counterpart resources). Unfortunately, the accounting procedures at the MOF are such that it has been extremely difficult to confirm actual disbursement levels for the 1982/83 budgets. Information gathered from the Ministry of Planning, LPMC, and the National Bank of Liberia indicates that for GOL FY 1980/81, 1981/82, and 1982/83 budgets, disbursements to the individual projects were approved in advance of government's receipt of the rice sales proceeds. LPMC is presently paying into the special account at the National Bank of Liberia those sales proceeds from the FY 1983 agreement. It is apparent that government has and continues to use general revenues to front-end the cost of the various development projects.

In order to speed up this process of counterpart generation, the Ministry of Agriculture and LPMC have suggested that wholesalers be required to purchase all available stocks of PL 480 rice before permitting the sale of other imported rice. In its recommendation the MOA notes that it is in the national interest to promote, in as timely a manner as possible, the sales of PL 480 rice.

Although Government attempts to provide counterpart funding from general revenues is sincere, the tenuous liquidity situation facing Liberia makes such arrangements difficult. Despite delays in disbursements, of as much as two quarters, project managers are doing an admirable job of juggling their resources and maintaining a semblance of steady project activity. However, this is a government wide problem and not one unique to PL 480-funded activities.

Project Selection and Programming Under the PL 480 Program

The selection of projects for funding under the PL 480 program by the Ministry of Planning and Economic Affairs is based on a number of specific factors, all of which complement the self-help selection criteria for self-help measures set forth in Section 106(b) of the PL 480 legislation.

Specific selection factors set by MPEA include:

1. Sectoral priorities with emphasis on the agriculture/forestry sector;
2. Projects selected are ongoing, and require government counterpart funds in support of external financing;
3. Projects nearing completion;
4. Projects that have better absorptive capacity to utilize funding;
5. Projects which are well managed; and
6. Projects geared towards the betterment of low income groups.

That guidance required to assure selection based on the above factors is obtained from the monitoring and evaluation reports submitted by the MPEA project evaluation unit. The level of project funding is negotiated by the MPEA and the Mission, based on the overall cost of the project, the yearly project implementation plan, and the funding requirements from local and foreign sources.

In determining how much should be allocated to each project per fiscal year, the MPEA generally asks the management of each project to submit through the proper channel their annual budgets. All documents, information in support of the budget, are submitted. Taking into account the needs of the project, their achievements, their impact and the available resources, discussions are held to determine the level of funding.

For the 1983/84 GOL budget year, a general ceiling was given for the development budget by the Bureau of the Budget in accordance with understandings reached with the IMF. Taking into account previous year's expenditures, the activities of the project, their achievements and the funding requirements, ceilings were set for each project and sent through the relevant agencies. Most projects developed their budgets within the limits of the ceilings. The ceilings were later reduced for some projects because of further reductions to the development budget agreed to with the IMF. Detailed discussions are now going on to finalize the budget figures for 1983/84.

Project Evaluation

The Ministry of Planning and Economic Affairs has established a very realistic set of criteria for their use in development project evaluation. This set of criteria includes the following elements:

Data Categories for Project Evaluation by MPEA

- Project objectives and beneficiaries
- Project objectives compared to national objectives
- Project targets
- Project philosophy and strategy
- Organizational structure/management
- Project Inputs
    - Budget compared to expenditures
    - Staff (planned compared to actual)
    - Equipment/supplies (planned compared to actual)
    - Training (planned and accomplished)
- Achievements (project outputs)
- Utilization of project outputs
- Project impact
- Prospects for benefits to become self-sustaining

Although the Ministry of Planning and Economic Affairs has undergone a number of senior level management changes, it is assumed that present individual assignments will be realigned to provide for additional personnel to the evaluations unit.

Conclusion

--Generally, counterpart funds have been used well to address priority development problems.

Recommendation

—That the following activities be included as self-help measures in future PL 480 agreements:

1. The establishment of a joint U.S.-Liberian commission to follow up the recommendations of the 1982 U.S. Presidential Mission on Agriculture in Liberia
2. That a group of highly qualified agricultural researchers and educators undertake a ten to fourteen-day assignment to assist the GOL in initiating a program of adaptive research for Liberia and provide guidance on strengthening baccalaureate-level agricultural training.
3. Under the self-help measures to improve the production, storage and distribution of agricultural commodities, that the rice stabilization fund be used to support the purchase by LPMC of rice storage and milling equipment to expand the market access of the rural poor.

C. Food Aid and Other Development Program Assistance

1. Linkages and Impact of PL 480 Title I to DA and ESF

As indicated in the following table, PL 480 food aid makes up a significant portion of the U.S. Government's assistance program to Liberia, and its use is linked to DA and ESF.

Table VII

Liberia: U.S. Bilateral Economic Assistance to Liberia
(in millions of dollars)

	1980	1981	1982	1983 (estimate)
ESF	5.2	32.0	35.0	32.0
DA	10.8	5.3	12.0	12.0
PL 480	5.0	15.0	15.0	15.0
Total	21.0	52.3	62.0	59.0
PL 480 as a %	23.8%	28.7%	24.2%	25.4%

Source: USAID/Liberia

The PL 480 program is only one of several ongoing programs between the GOL and the USG. All other forms of assistance are grants.

> Food aid is only one segment of a large complex set of linkages in the development process and should be treated in a coordinated 'country package' approach to maximize effective use of limited development resources. (Senate, 1978.)

The notion of "linkage" is employed frequently to cover two distinct sets of concerns. The first is with the relationship between food aid and other development assistance, as articulated, for example, by the U.S. Senate Committee on Agriculture, Nutrition, and Forestry (Clay, Singer, 1982).

The second concept of linkage concerns conditionality and the desire to associate the assistance with meaningful development measures on the part of the recipient country. This notion of linkage is perhaps better replaced by the alternative concept of conditionality which indicates that the focus of attention is upon the actions of the recipient country.

Accordingly, since 1980, the Mission has developed a strategy for addressing economic stabilization and recovery through the coordinated use of ESF, PL 480 and DA resources. This strategy is explained in USAID's FY 85 Country Development Strategy Statement.

2. Linkages and Impact to Other Donor Programs, e.g. IMF, IBRD, EEC

Improved donor coordination and broadened donor participation in assistance to Liberia are imperatives for the successful achievement of fiscal stability and sustained broadly based economic growth. There are many issues on which improved donor coordination is needed, including dialogue with the GOL on its policies related to development, the mix of assistance instruments including program assistance, the need for selectivity and common criteria for identification and ranking of projects for donor support, and policies regarding donor financing of recurrent costs (Eriksson, 1982).

The programming of food aid as a means of balance of payments support needs to be coordinated with other economic assistance. The Mission has taken particular care to assure that both its PL 480 and Economic Support Fund program assistance are used in a way which supports and assists the GOL in meeting IMF conditions. Accordingly, the Mission intends to continue its close coordination with the IMF, as well as other donors who might provide similar program assistance (CDSS, 1983).

III. Effects on Resource Transfer and Balance of Payments

A. Is food aid better than or not significantly inferior to some other form of financial transfer or assistance?

Since FY 1980, GOL has signed agreements for the importation of $50 million of PL 480 rice. The rice is sold to GOL on concessional terms with the understanding that the proceeds from it will be used for selected development projects and that GOL will carry out specific self-help measures. In this sense PL 480 are tied loans, tied both to the commodity being imported and how the proceeds will be spent. The question here is whether or not this type of development assistance is better than or not significantly inferior to some other form of financial transfer or assistance both from the USG's and GOL's point of view.

Theoretically, cash grants or loans for development assistance are better from the recipient's point of view than tied grants or loans in cash or commodities (a type of tied contribution). Theoretically, cash recipients can flexibly allocate their cash grants among their perceived priority development activities and commodities until the returns from the at the margin are equal. This should result in an optimum allocation of resources for the country. No changes in this allocation should result in greater welfare for the target groups.

If donor and beneficiary goals were perfectly aligned, there would be 100 percent agreement on how best to achieve these goals, and the donor has 100 percent confidence that the beneficiary would use the finds for the programmed activities in an efficient way, there would be no need or desire by donors for tied grants or loans. But such is not always the case, and as a consequence, nearly all development assistance agencies add some requirements or strings to their financial assistance.

USG's Point of View

Food aid is popular in the United States because it satisfies several goals that straight cash grants or loans, tied or untied, would not achieve.

1. There is high confidence that the food being shipped will benefit consumers as it should add to available food supplies in the country.
2. It can be low cost where surplus commodities are used. The idea of using food for humanitarian purposes that might otherwise be wasted is very attractive to many people.
3. It can be used to help develop commercial markets.

Because of the added attractions of food aid over most tied development grants and loans, food aid is popular with the American public, and thus has relatively strong support. As a consequence, the U.S. aid budget is probably larger with food aid in it than it would otherwise be. This is one of its strong selling points in the foreign aid donor community.

While food aid is popular in the U.S., it has some disadvantages:

1. The imported food may prove a disincentive for local food production because domestic food prices are likely to be reduced by it (see Annex E).
2. It may take pressure off of recipient governments to develop their agriculture.
3. It involves considerable administrative effort on USAID's part to procure and ensure the food is properly distributed.
4. It may become a substitute for commercial imports and thus be competitive with U.S. and other countries' commercial imports (see Section I.E. on UMR requirements).

Each of the above shortcomings of food aid is well known in foreign aid circles, and PL 480 Title I legislation has been written to overcome them in part.

Recipient's Point of View

Though food aid comes with many strings attached, it still has many attractions for the recipient country.

1. It provides needed food and/or other agricultural commodities for the country (in the case of Liberia, about one half of her rice imports).
2. It can free up foreign exchange for other uses (see Section III. B.). Though food aid is not supposed to replace commercial imports, it in fact sometimes does.
3. It provides a source of income for development projects. This source can, if fact, be greater than the nominal value of the food aid where the food is sold in the country's domestic for more than the price charged against it by USAID. (See Section III. C. on import "profits".)
4. Usually the terms for repaying food aid loans are softer than for other types of development loans --the repayment period is often longer and interest rates are often lower.

Though recipient countries would no doubt prefer cash grants and loans to less flexible food aid, they usually see food aid as making a positive contribution to their development programs and are pleased to receive it.

Conclusion

In conclusion, it seems fairly clear that food aid has its place in a development assistance program. Due to this popular appeal in the U.S., it adds to the total pool of development assistance resources. It is relatively low cost where surplus commodities are used and has some assured direct benefits in the form of nutritional calories for the people. But food aid lacks the flexibility of cash grants and loans, and there is some potential for production disincentives.

USAID's PL 480 program in Liberia seems to be particularly successful, however, as it has been designed to overcome several of the potential shortcomings of such programs. As shown elsewhere in this report, it has added to Liberia's total development resources, provided needed nutrition, and conserved foreign exchange, all without an undue adverse impact on domestic production incentives. At the same time the program has served U.S. humanitarian interests at a relatively low cost.

B. Do commodity mixes have different values to the Government of Liberia and different costs to the donors?

Donor Costs

USG, through its PL 480 Title I program, as noted, finances the sale of selected agricultural commodies on soft terms to qualifying developing countries to support development activities. The commodities selected for the program are generally those in surplus in the United States. The current list of PL 480 Title I commodities includes wheat and wheat flour, rice, corn, sorghum, vegetable oil and cotton.

The economic (versus the market) cost of various PL 480 Title I commodities to USG is difficult to measure. Where USG buys them to support their domestic prices, their economic or opportunity costs to USG are relatively low (there are few alternative uses for the product). Where USG supplies commodities to PL 480 Title I programs that are not in surplus, their economic or opportunity costs are their market prices.

Since the economic costs for the various PL 480 commodities are difficult to calculate and are continuously changing with market conditions, AID Missions cannot be expected to determine which might be the most economic to move through the PL 480 Title I program at any one time. Their task rather is to select the most appropriate commodities for their host government from the list offered.

Value to Host Country

A country receiving PL 480 Title I commodities, as noted, usually has several products for which to choose. It will logically select those of greatest net benefits to them. To determine the relative net benefits of the various commodities, they must consider the following factors.

1) Is there an existing or potential demand for the product in the country, particularly among the poor, so that a sizable volume of the commodity can economically absorbed at the imported price? Wheat and corn, for example,

are usually much cheaper sources of nutritional calories than rice and thus might be preferred on economic grounds to rice for a PL 480 program. But if the people in the PL 480 recipient country have little taste for wheat or corn, it would be difficult to develop a program using them.

2) Would importation of the commodity save foreign exchange for the country? Most developing countries experience foreign exchange shortages, thus the importation of a commodity that saved them foreign exchange has a double benefit.

3) Would importation of the commodity result in price disincentives to domestic producers of the commodity? If so, how serious would they be and how easily might the disincentives be removed?

Other Donor Considerations

USAID Missions have additional criteria for selecting the best alternative PL 480 commodities to use in their programs.

1) Would the importation of the commodity interfere with the normal volume of commercial imports of the commodity? Though the host country might not be too concerned with this, it must be of concern to USG, both because USG might find itself competing with its own commercial exports and because commercial imports migh violate the terms of the General Agreements on Tariffs and Trade (GATT). To guard against these problems, PL 480 legislation requires Missions to consider the country's usual marketing requirements (UMR) which are the average levels of commercial imports over the preceding five years.

2) Is there some potential for the commodity becoming a commercial import for that country in the future? Market development is one rationale for USG's PL 480 program. It thus follows that potential commercial sales is a consideration in commodity selection.

Commodities Evaluated

The various current PL 480 Title I commodities can be evaluated to see which ones best meet the criteria for a successful PL 480 Title I program (Table VIII).

Table VIII

Liberia: Evaluation of Alternative PL 480 Commodities Using Selected Criteria

Selection Criteria	Wheat/ Wheat flour	Rice	Corn	Sorghum	Veg. Oil	Cotton
1. Absorptive Capacity	med.	high	low	low	low	low
2. Potential to conserve foreign exchange	yes	yes	yes	yes	yes	yes
3. Producer disincentive	no	possible	no	no	yes	no
4. Usual Marketing Requirements a limitation	yes	yes	no	no	no	no
5. Market development potential	yes	yes	yes	yes	yes	yes perhaps

1) Absorptive Capacity

A country's absorptive capacity for PL 480 imports is reflected in its own production and its commercial imports of PL 480 Title I type commodities, particularly the latter. Liberia has foreign exchange to import some agricultural products. Its current levels of selected imports thus reflect its effective demand and perceived priority for these products. Liberia has imported sizable quantities of rice ($45 million 1981) and wheat and wheat flour ($4.7 million, 1981) in recent years but has imported negligible amounts of corn ($700,000, 1981), sorghum (nil), vegetable oil ($2.4 million, 1981) cotton ($1 thousand, 1981) and prepared animal feeds ($2.1 million, 1981). (See Table IX.)

It can be concluded from this import data that there is little short-run potential for selling sizable quantities of PL 480 Title I commodities except for rice and wheat and wheat flour and possibly some cor nd sorghum for

Table IX

Liberia: Imports of Selected Agricultural Products, 1979-1981

Product	Quantity			Value		
	Year			Year		
	1979	1980	1981	1979	1980	1981
	MT(000)	MT(000)	MT(000)	$ Mil	$ Mil	$ Mil
Rice	74.0	86.7	96.0	26.0	34.4	45.0
Wheat and flour	22.0	11.0	13.3	6.0	3.7	4.7
Soybean oil	2.6	3.1	2.6	2.2	2.9	2.4
Dry milk	1.0	1.7	1.2	1.6	2.3	1.7
Corn	0.7	1.4	1.6	0.3	0.5	0.7
Cotton lint	0.03	0.02	0.001	0.03	0.03	0.001
Animal Feed stuffs of which		10.5	4.7		3.0	2.1
Prepared animal feed		4.7	2.2		1.5	1.2
Prepared chicken feed		5.7	2.5		1.6	0.9

Source: FAO Trade Yearbook, 1981, Vol. 35, FAO, Rome 1982

Republic of Liberia, Ministry of Planning and Economic Affairs, External Trade of Liberia, Imports, 1980 and 1981, Monrovia, Liberia, 1981 and 1982 animal feed. Sizable imports of feed grains will take some restructuring of the animal feed industry, shifting it from primarily a prepared feed distribution industry to one emphasizing feed mixing.

Interest has been expressed in importing PL 480 feed grains for Liberia's mixed feed industry. The issue was examined, and it was found that the two main motivations from the trade for such imports were as follows:

1. PL 480 feed grains could be purchased by the trade on credit (as is PL 480 rice), thus reducing the trader's need for working capital (they could resell the grain as feed before they needed to pay GOL cash for it).
2. PL 480 corn would be of better quality than the corn currently being imported. Much of the corn now being imported is U.S. corn being transshiped through France. In the transshipment process, it falls from No.#2 grade to No.#3 grade (more dust and brokens). This quality deterioration could be avoided by direct shipments from the U.S. under PL 480. The grain is apparently imported via France as the French government pays an export subsidy on it.

Any additional feed grain imported under a PL 480 program would likely impact on mixed feed imports which come mostly from Europe. The development of the domestic mixed industry would contribute to Liberia's economic growth as it would increase employment and utilize other domestic resources. The industry could also be developed using commercially imported feed grains, but as noted, such feed grains would be more expensive to the importers (no credit) and of lower quality.

2) Conserve Foreign Exchange

PL 480 Title I recipient countries typically want to conserve their foreign exchange due to chronic deficits in their balance of payments. To the extent that PL 480 Title I imports replace commercial imports, the PL 480 program helps to conserve their foreign exchange and thus becomes an incentive for them to participate in the program.

PL 480 legislation, however, stipulates that PL 480 imports are not to interfere directly with commercial imports and for this reason Usual Marketing

Requirements (UMR's) were established. This creates a dilemma. How can PL 480 imports conserve a country's foreign exchange without interfering with commercial markets? This issue is sometimes difficult to handle. A discussion of Liberia's UMR for rice is found in Section I.E.. of this report.

Liberia, like most developing countries, runs chronic deficits in its balance of payments. Most developing countries try to control their deficits through exchange controls, quotas, and tariffs. Though Liberia uses quotas and tariffs both to conserve foreign exchange and to protect some of its industries, and in the case of tariffs to raise revenues, it does not place restrictions or controls on the movement of capital into and out of the country.

Liberia has been able to finance the deficits in its balance of payments by borrowing dollars from foreign banks, foreign governments, and the International Monetary Fund. Unfortunately, Liberia has had difficulty repaying many of these loans (and accrued interest), and as a consequence, the lenders have had to reschedule debt payments. In agreeing to its debt scheduling, the IMF has imposed financial controls on the Liberian government through its Stand-by Agreement. (Further financing is contingent upon good financial performance).

The basic statistics on Liberia's external debt in 1981 are as follows:*

Total debt, disbursed and outstanding	—$592.3 million
Annual growth rate in external debt	— 9.8 percent
External debt as percent of GDP	— 54.4 percent
External debt as percent of exports of goods and services	— 109.5 percent
Debt service	—$ 34.3 million

Liberia's international debt situation is obviously serious. It is both costly and constraining on its development. It is thus clear that any foreign savings that a PL 480 program might provide is an added benefit of the program.

*Source: World Bank, Liberia: Recent Economic Developments and Medium-Terms Prospects, Report No. 4178-LBR, Washington, D.C., 1982, p.22.

3) Producer Disincentives

The importation of any commodity will tend to increase market supplies and thus reduce domestic market prices. Market prices are a major incentive to domestic production, thus imports of a commodity tend to dampen this incentive and in turn dampen domestic production.

Imports are not a disincentive to domestic production where the commodity cannot be grown domestically or where the government artificially supports domestic prices. PL 480 imports are further not a disincentive to production where they replace commercial imports.

Of the six current PL 480 Title I commodities, four (wheat and wheat flour, feed corn, sorghum, and cotton) are not produced in Liberia to a significant degree and thus imports of these products would not be a disincentive to Liberian production.

Rice is Liberia's major food crop. The impact of PL 480 rice imports on domestic rice prices is constrained by GOL's domestic price support program and by the fact that GOL would likely replace any reduced PL 480 rice imports with increased commercial rice imports (Annex E).

Domestically produced palm oil is the major vegetable oil consumed in Liberia. Vegetable oil imports are quite low though if they were to increase significantly this could impact adversely on Liberia's oil palm industry.

4) Usual Marketing Requirements as a Limitation

PL 480 Usual Marketing Requirements (UMR) stipulates that PL 480 Title I imports are not to reduce commercial imports below the average level of such imports over the previous five years.

UMR's can be a severe limitation on PL 480 programs, but their impact has been mitigated in recent years in Africa by the areas' surging demand for imported food stemming from rapid population growth and stagnating food production.

UMR's should not impose a significant constraint on Liberia's importation of PL 480 sorghum, vegetable oil and cotton since only minor quantities of these are presently imported commercially. One might argue, however, that feed grain imports might impact on prepared feed imports. Liberia imported $2.1 million of prepared feeds in 1981.

5) Market Development Potential

It appears there is some market development potential in Liberia for all the current PL 480 Title I commodities. There is already a sizable market for wheat and wheat products, and no doubt it will expand as consumers acquire a greater taste for wheat based products. One hopes that Liberia's imported rice market will contract as its domestic production expands, but barring that there is a good market potential for U.S. rice in Liberia since U.S. parboiled rice is the preferred food of Liberian urban consumers.

There is some market potential in Liberia for feed grains as the country's population grows and income expands and as a feed mixing industry develops. Liberia is capable of meeting its own vegetable oil needs, thus time will tell if vegetable oil imports become important. Liberia's cotton imports will be nil until it develops a cotton spinning industry.

Conclusion

It would be difficult for anyone to measure and compare the economic costs of various unlike PL 480 commodities to USG. Rather than try to calculate USG's opportunity costs for its various PL 480 commodities, USAID Missions should assume they are all about equal (a dollar of commodity A has the same USG opportunity as a dollar of commodity B) and use those listed commodities of greatest benefit to their host government.

While the costs of various PL 480 Title I commodities maybe nearly the same benefits from their use show great variation. Host governments are particularly interested in those PL 480 commodities which save foreign exchange, have significant consumer demand (there is absorptive capacity), can be sold at a profit in the market (above import prices), are cheap relative to similar commodities form other sources, and do not create a disincentive to domestic production.

USAID Missions are also interested in the absorptive capacity of the country for the various commodities and the various commodities' impact on producer incentives. The U.S. Department of Agriculture is particularly interested in the long term market development potential for PL 480 commodities.

An analysis was made of the current PL 480 Title I commodities to see which best met the various aid and host government selection criteria for Liberia. It appears that rice is clearly the PL 480 commodity of choice by the Liberian Government. There is large absorptive capacity for the commodity, it provides sizable foreign exchange savings, it has good potential for making the government a profit (domestic prices less import price), it is important for political reasons to have adequate supplies in the market, the depressing effect of imports on producer incentives can be mitigated in part (through price supports) and it provides important food nutrients for consumers.

Rice is an attractive PL 480 import from the USAID Mission's point of view because of the large volume that can be absorbed without flooding the market, the fact that the impact of imports on producer incentives can be mitigated, Usual Marketing Requirements have not been a problem, and there is good potenttial for long-term market development.

The remaining PL 480 Title I commodities have some serious limitations for use in PL 480 program in Liberia in a major way. Wheat and wheat flour have found a significant commercial market ($4.7 million, 1981) but only a small additional amount could be imported in the near term under PL 480 without impacting on commercial imports. Corn and sorghum imports are currently insignificant ($700,000 ,1981) and thus no sizable program could be built on them in the near future. Should a mixed feed industry develop in Liberia, the market for feed grains would improve, but this would likely be at the expense of prepared feed imports most of which are coming from Europe. Expansion of the domestic feed industry should be encouraged because such an expansion would increase employment and utilize other domestic resources.

Imported vegetable oils have little market potential in Liberia because the market is already being adequately supplied from domestic sources. The domestic small holder palm oil industry should be encouraged to expand.

There seems almost no potential for developing PL 480 sales of cotton in Liberia in the near term. Such market development will depend upon the establishment of a domestic cotton spinning industry, something that is not in the picture at this time.

C. Procyclical Nature of PL 480 Annual Commitments on Budget/Balance of Payments.

PL 480 Title I food imports can potentially benefit the recipient country in four ways:

1. Reduce its balance of payments deficit (or increase its surplus) to the extent that the PL 480 imports substitute for commercial imports.
2. Provide needed human nutrition.
3. Provide counterpart funds to support domestic development projects.
4. Where domestic prices exceed the imported price, provide a "profit" to the importing country for funding development programs. By the same token, where import prices exceed domestic prices, the importing country can experience a "loss" in the sale of its PL 480 imports.

PL 480 Title I programs are budgeted in dollars in keeping with USAID's budgetary process. The net benefit of the program will change from year to year, however, even with a constant budget because of changing prices for the imported commodities. When the U.S. export price for a PL 480 commodity goes up (with world prices), a fixed PL 480 budget buys less of the commodity than before. Conversely, when the U.S. export price for a PL 480 commodity goes down, a fixed PL 480 budget buys more of the commodity than before.

The impact of changing PL 480 export prices differs for each of the four benefits that PL 480 imports provide.

1) Balance of Payments - The balance of payments impact of variations in PL 480 food prices depends upon the extent to which PL 480 Title I food imports substitutes for commercial imports. If they are a 100 percent substitute then each percentage increase in PL 480 import prices would necessitate an offsetting increase in commercial food imports and consequent draw down on foreign exchange reserves. Conversely, each percentage decrease in PL 480 food import prices would permit an offsetting decrease in commercial food imports and consequent net increase in foreign exchange reserves. It was noted in the previous section that Liberia runs chronic deficits in its balance of payments and now has an external debt of nearly $600 million. Thus the impact of PL 480 programs on the country's balance of payments is important to GOL.

The quantity of rice sold in Liberia is determined by effective demand at the government's fixed retail price of 24 cents per pound (Monrovia). Liberia's milled rice supply is its domestic production (about 160,000 MT), its PL 480 Title I imports (about 45,000 MT) and the rice that commercial importers can market in addition to the above quantities at 24 cents per pound retail equivalent. Commercial importers take up any slack in supply needed to satisfy consumer demand at the fixed retail price. If they imported more rice than this, the retailers could not move it all at 24 cents per pound and stocks would move up excessively. If they brought in less rice, retailers would deplete their stocks entirely.

The impact of changes in PL 480 prices on Liberia's off-shore accounts is fairly easy to calculate. If, for example, PL 480 rice prices had been 10 percent higher in 1981 than they were, USAID's $15 million PL 480 budget would have purchased 10 percent or $1.5 million less rice. Because commercial imports would have been increased by about the same amount and value, off-shore balances would have fallen by this amount as well. Conversely, if PL 480 rice prices had been 10 percent lower in 1981, Liberia's off-shore accounts would have been $1.5 million better off, other demands upon it being equal.

2) <u>Nutrition for Consumers</u> - The nutritional benefit of PL 480 food imports is, of course, directly proportional to the amount of PL 480 food being imported. Thus, a fixed percentage increase in the imported product's price would reduce the PL 480 program's nutritional contribution in the same proportion.

3) <u>Counterpart Funding</u> - Counterpart funds are the local currency equivalent to the PL 480 loan and are used for financing development projects. They are fixed amounts determined at the time the PL 480 agreement is made and do not change with changes in the prices of the PL 480 imports. If the recipient country's foreign exchange rate changes, the quantity of counterparts funds in

local currencyld change proportionally, but their dollar value would remain the samCounterpart funds are generated by the sale of PL 480 commodities in recipient country. However, if sales proceeds do not equal the amount of PL 480 loan, the recipient government must make up the difference fromer sources.

4) Government 'fits and Losses" - Government profits and losses in local currency from thale of PL 480 imports (wholesale prices less import prices and handling cos vary inversely with and to a greater degree than PL 480 import prices. ernment "profits and losses" resulting from PL 480 rice imports can be sutantial. In 1981/82, for example, Liberia's "profits" were $1.86 million (cailated as follows:)

Sales -- 954,375 1D# bags (43,380 MT) @ $23.00 per bag wholesale	-- $21,950,625
Marketing Costs --4.80 per bag (see Table II)	-- 4,581,000
Cost of rice -- 43,80 MT @ $342.62 (954,375 bags) ($15.71 per bag)	-- 15,000,000
Net "profit" ($2.48per bag or $55 per ton)	-- $ 2,369,625

Since the domestic selling price and handling costs are fairly fixed, any changes in the import price will be fully felt in the balance sheet, either positive or negative.

The procyclical nature of food aid for Liberia can be estimated by examining variations in Liberia's rice import prices in recent years (Table X). Between 1965 and 1981, Liberia's average import price for rice changed every year (from the previous year) but in 1969. The average annual price change in this period was 15 percent. It ranged from minus 17 percent in 1966 to plus 69 percent in 1974. Of the 15 annual price changes, 9 were positive while 6 were negative. Liberia's rice import prices in this 17 year period increased from $197 per metric ton in 1965 to $469 per metric ton in 1981 or 138 percent.

Table X

Liberia: Volume, Price, Change in Price and Value of Rice Imports Compared with Value of Exports

Year	Rice Imports: Quantity ('000 MT)	Value (mil $)	Price CIF ($MT)	Percent Change in Price	Value of Exports (mil $)	Rice Imports as % of Exports
1965	32	6.3	197		135.4	4.7
1966	46	7.5	163	-17	150.5	5.0
1967	34	6.6	194	+19	158.8	4.2
1968	45	8.7	193	- 1	199.4	4.4
1969	27	5.2	193	0	232.8	2.2
1970	49	9.7	198	+ 3	235.9	4.1
1971	54	10.9	202	+ 2	246.6	4.4
1972	42	7.6	181	-10	269.8	2.8
1973	46	12.3	267	+48	324.0	3.8
1974	35	15.8	451	+69	400.0	4.0
1975	31	13.6	439	- 3	394.4	3.5
1976	38	12.9	339	-23	457.1	2.8
1977	56	19.8	354	+ 4	447.4	4.4
1978	61	22.9	375	+ 6	486.4	4.7
1979	74	26.0	351	- 6	536.6	4.9
1980	87	34.4	395	+13	600.4	5.7
1981	95	44.6	469	+19	529.2	8.4

Source: World Bank

Assuming world rice prices move in the future as they have in the recent past, that Liberia's domestic rice prices continue to be relatively stable, and that USAID's PL 480 Title I rice program remains constant in dollar terms, the following conclusions can be made about some of the impacts of future PL 480 rice programs in Liberia:

1) Balance of Payments - The balance of payments impact of fluctuating PL 480 rice prices is the change in the value of commercial rice that must be imported (or does not have to be imported) to make up (or not have to make up) for any fall off (or increase) in tons of PL 480 imports resulting from increases (decreases) in PL 480 prices.

On the average PL 480 rice import prices can be expected to fluctuate about 15 percent per year. Thus, GOL off shore balances can be expected to fluctuate by about $2.25 million annually from this cause alone. Actually, the balance of payments effect of fluctuating PL 480 rice prices can be expected to be larger than this since in years of high PL 480 rice prices, commercial importers will both have to import more rice and pay a higher world price for it, and, in years of low PL 480 rice prices, commercial importers will both import less rice and pay a lower world price for it.

2) The impact of PL 480 Title I funding on consumer nutrition will be inversely proportional to annual average price changes for imported rice and thus will be procyclical.

3) Counterpart funding by agreement is the same level as AID's PL 480 Title I funding and thus is not procyclical.

4) GOL should about break even (average zero profits) on their PL 480 operations in the near term. As noted, they made a "profit" on $2.4 million in 1981/82 when their average import price was $346 per metric ton. They could expect to break even at about $400 per ton and experience losses equivalent to the increased cost of the rice at any price above $400 per ton. Thus if the price were to increase to $430 per ton, the Government of Liberia would experience a "loss" of about $30 per ton.

It has been proposed that PL 480 Title I agreements provide a fixed quantity of commodity. This would eliminate some of the procyclical aspects of the program for Liberia and shift them to USAID. Such an approach would have some drawbacks, however:

1. It would be difficult for USAID to budget for the program since the cost of the program would not be known in advance of the program's fiscal year.

2. It would result in cyclical variations in the generation of counterpart funds and thus in the support of counterpart funded projects.

D. Recommended Levels and Composition of Food Aid

It was noted in Section III. B. that rice is by far the commodity of choice for PL 480 Title I sales to Liberia. Feed grains would be a distant second choice. They could only be imported in relatively small quantities.

It appears that current levels of PL 480 rice sales ($15 million) is probably about optimal for Liberia at the present time. It is near the upper limit allowed by UMR requirements, and it provides about one half of Liberia's import needs. Much larger PL 480 sales might significantly reduce GOL's incentive to do more to stimulate domestic rice production.

Fifteen million dollars will likely buy less rice in the future as rice prices have been unusually low this past year.

World rice prices fluctuate by 15 percent per year on the average; thus, there will be an average 15 percent variation per year in the amount of rice that a given PL 480 budget will procure. This variation in most years will have to be offset by commercial imports.

<u>Recommendations</u>

--The USG should finance PL 480 Title I rice sales at a minimum of $15 million per year in the short-term

--The USG should hold off financing any PL 480 TitleI feed grain sales until there is sufficient demand to absorb a meaningful quantity without interfering with established commercial feed markets.

IV. Conclusions and Recommendations

A. Conclusions

1) The PL 480 program has in general been beneficial both to the GOL and to USAID's development objectives in Liberia.

2) Overall, the PL 480 program is not an <u>undue</u> disincentive to domestic rice production.

3) Rice is clearly the commodity of choice for PL 480 sales to Liberia at present because:

    a) Liberia can absorb large quantities of rice;
    b) Usual Marketing Requirements do not present as great a problem as they would with other commodities;
    c) PL 480 rice sales do not adversely impact on domestic rice production;
    d) Rice imports provide essential nutrition to consumers.

4) World rice prices fluctuate by 15 percent per year on the average; thus, there will be an average of 15 percent variation per year in the amount of rice that a given PL 480 budget will procure. This variation in most years will have to be offset by commercial imports.

5) The approximate break-even price for LPMC on imported rice is $400.00 per metric ton. LPMC will lose money above this price. Unless domestic prices are increased, LPMC will probably lose money more years than it makes money on PL 480 imports.

6) In general, there has been a lack of communication and coordination within the GOL on PL 480 matters, particularly in the areas of counterpart programming and implementation of self-help measures.

7) Compliance reporting by the GOL has often been tardy and incomplete.

8) For a variety of reasons, the generation and transfer of rice sales proceeds from LPMC to the GOL have been slow.

9) Despite the delays in receiving sales proceeds, the GOL has generally met its targets in counterpart expenditures even though these have sometimes been delayed.

10) No mechanism exists to directly link the PL 480 proceeds to counterpart disbursements. Thus, counterpart funding has been drawn from the GOL general account and has been subject to the same problems faced by regular GOL funding including delays in the release of funds and underdisbursement.

11. The domestic market for feed grains is too small to warrant its importation under the Title I program at present.

12. The lack of regulation in the issuance of commercial import licenses by the Rice Committee has had an adverse impact on the timely sale of PL 480 rice.

13. GOL can not maintain consumer rice prices much below world price levels because the cost of subsidizing imported rice to consumers would be prohibitive. Therefore paddy prices can be expected to increase through time with increases in world prices. World rice prices in dollars are unusually low now both because of the world wide recession and the strength of the dollar.

B. Recommendations

1. Recommendations for short-term GOL

a) Encourage increased rice production in the short run through continued PL 480 counterpart funding of technical assistance projects and associated self-help measures.

b) The GOL should establish at the senior level (deputy minister or equivalent), a PL 480 Coordinating Committee chaired by the MP&EA. Other members of this committee would include representatives of MOA, MOF, and NBL. This Coordinating Committee would meet quarterly and be responsible for determining GOL policy with regards to PL 480 as well as programming and monitoring of counterpart funding, and assuring the timely implementation and reporting of those mutually agreed upon self-help measures.

c) The present funds in the NBL special account should be transferred to the GOL's general account to compensate it for counterpart funding already provided from GOL general revenues.

The project support that these special account funds were to provide has in fact already been provided from other GOL revenue sources for which the general account should be compensated. This will probably be a largely paper transaction.

d) LPMC should set a schedule by which it will pay the balance due government for counterpart funds which government has already spent.

e) The GOL should clear the balances and reconcile and close the accounts of counterpart funding under past agreements.

f) The December 17, 1982 agreement proceeds should continue to be deposited in the NBL special account to facilitate tracking their generation. However, no attempt should be made to link counterpart disbursements to these deposits.

A system by which counterpart funding is provided directly from the proceeds of rice sales has two major requirements: a) that LPMC generate, collect, and transfer these proceeds prior to the fiscal quarter in which they are required; and b) that a mechanism be created by which special account deposits can be turned into disbursements without fear of being diverted to other uses in the general account.

While both steps are practicable, it will be well into the present GOL fiscal year before they can be instituted and changing systems mid-year would most probably produce more problems than benefits. Any attempt to link disbursements to proceeds before the two preconditions are met will make PL 480 financing more of a liability than an asset to the recipient projects. Thus, the present system should be retained for the ongoing program.

g) For future programs, sales proceeds should be used directly to fund counterpart disbursements.

This will assure that the PL 480 program will produce actual funds for the development budget rather than providing liquidity to meet LPMC's and other GOL needs. Likewise, it will insure that funds alloted to projects will actually be available for disbursement. However, this recommendation is contingent on the two requirements noted above being met.

Specifically:

h) The GOL should adopt a charter of accounts that will link certain revenue categories (including PL 480 proceeds) to specific expenditures (including PL 480 counterpart funding).

Such a charter has already been designed under the A.I.D. - supported Economic and Financial Management project.

i) LPMC should establish an account for PL 480 proceeds at a commercial bank. Compensation for LPMC's costs could be transferred from this account to LPMC's general account on a regular basis. Transfers to the GOL could be made quarterly prior to the beginning of each fiscal quarter.

j) LPMC should continue to tighten its credit policy and deny credit to delinquent customers. Where possible, it should reduce the number of customers it sells to. This is required if proceeds are to be transferred on a timely basis.

k) The Rice Committee should regulate the commercial importation of rice so that supplies are more regular and LPMC can better plan its imports and sales. The countersignature of the Minister of Agriculture on rice import permits should be required.

l) The MOA and LPMC should determine annual rice production and consumption estimates needed by USDA to calculate UMR.

2. Recommendations for short-term USAID

a) The USG should hold off financing any PL 480 Title I feed grain sales until there is sufficient demand to absorb a meaningful quantity without interfering with established commercial feed markets.

b) The U.S. Country Team should seek authorization with the next PL 480 agreement for a multiyear Title I rice assistance program for Liberia.

c) The USG should finance PL 480 Title I rice sales at a minimum of $15 million per year in the short-term.

3. Recommendations for joint short-term GOL and USAID Action

a) That the following activities be included as self-help measures in future PL 480 agreements:

1. The establishment of a joint U.S.-Liberia commission to follow-up those recommendations made in 1982 by the U.S. Presidential Mission on Agriculture in Liberia.

2. That a group of highly qualified agricultural researchers and educators undertake a ten to fourteen-day assignment to assist the GOL in initiating a program of adaptive research for Liberia and provide guidance on strengthening baccalaureate-level agricultural training.

3. Under the self-help measure to improve the production, storage, and distribution of agricultural commodities, that the rice stabilization fund be used to support the purchase by LPMC of rice storage and milling equipment to expand the market access of the rural poor.

b) Agreements should be signed as early as possible (preferably in November or December) so the GOL can buy when U.S. prices are seasonally low and LPMC can time its imports to minimize its warehousing requirements.

c) USAID should review reporting requirements with the responsible GOL entities and ask that the GOL identify the individuals who will be responsible for meeting these requirements.

Specific reporting requirements which need to be reviewed are:
-- Accounting for insurance claims on Shipping and Arrival reports.
-- Calculating and reporting production and consumption estimates for usual marketing requirements.
-- Reporting on self-help measures.

4. Recommendations for the long-term GOL

a) Stimulate increased rice production over the long-term by gradually increasing rice prices at the producer level.

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Annex A

Overview of U.S. Public Law 480

by

Fred Blott
USDA/FAS/CC

I. INTRODUCTION[1]

Public Law 480, or the Food for Peace program, is the primary means by which the U.S. Government provides food assistance to developing countries. Enacted in 1954, PL 480 has four legislative objectives: (1) to provide humanitarian assistance (2) to support economic development wihtin recipient countreis (3) to expand international trade and develop markets for U.S. agricultural commodities and (4) to promote the foreign policy of the Unites States. Since inception, 292 million metric tons of commodities valued at $32 billion have been exported through PL 480 programs.

PL 480 authorizes three programs by which the United States can provide food assistance:

Title I: Title I of PL 480 authorizes the U.S. Government to finance the sale of agricultural commodities on concessional terms--low interest rates and long repayment terms--to "friendly" developing countries. Sales are financed through the Commodity Credit Corporation of the Department of Agriculture.

Commodities imported through Title I are generally sold on the locl market by the recipient country government. Currencies generated in this manner are available for use by the recipient government. Depending upon the particular country involved, these funds may be allocated to support "self-help" development measures specified in the Title I agreement or for general budgetary support in selected sectors which are also identified in the agreement, e.g., agriculture, nutrition, health, education.

Title III: In 1977, Congress authorized the "Food for Development: Title III program. Title III programs are similar to those of Title I, but provide for forgiveness of the original CCC loan if the recipient government uses the local currencies or the commodities themselves to implement programs in agricultrue and rural development, nutrition, health services, and population planning which are specified in the Title III agreement. To facilitate development planning and to encourage recipient country participation, Title III authorized multiyear PL 480 agreements of up to 5 years.

Title II: Title II authorizes donations of U.S. food to developing coutnries to meet famine or other urgent relief

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[1]From Impact Evaluation Report No. ______, "Jamaica: The Impact and Effectiveness of the PL 480 Title I Program."

requirements, to combat malnutrition, and to promote economic and community development. Donations are made through U.S. private voluntary agencies such as CARE and Catholic Relief Services, through the World Food Program of the United Nations, and through government-to-government grants. Unlike the Title I and III programs which are designed to augment the aggregate supply of food within the recipient coutnry and to be marketed through existing commercial channels, Title II commodities are generally targeted to specific nutritionally vulnerable groups within the recipient coutnries. Direct feeding programs support mother-child health activities, school-feeding, and food-for-work projects.

II. PL 480 TITLE I: CONCESSIONAL SALES

A. Country Eligibility and Selection

Consideration of Title I food assistance for any country formally begins when the recipient government makes an official request for assistance to the U.S. Embassy or USAID Mission. In most cases, however, the formal request follows discussions on the domestic food and agriculture siutation between local government officials and Embassy/USAID staff. Moreover, for those countries which are traditional Title I recipients, work on preparing the program proposal may begin in anticipation of receiving the official request.

The U.S. country team within the Embassy reviews and analyzes the request for a Title I program and assesses the need for food assistance.[2] If view favorably, the request, along with the country team's analysis and and recommendations, will be forwarded to Washington for review. The request must also be accompanied by supply and distribution (S and D) data for whatever commodities are being requests by the recipient country government. Specifically, the S and D data must include beginning stocks, local production, imports, consumption, exports, and ending stocks for the previous 5 years and estimates for the current year. Imports must also be identified by country of origina and must indicate whether they are commercial or concessional.

Since 1977, Section 401(b) of PL 480 also requires that the country team provide information so that the Secretary of

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[2]Depending upon the country involved, the U.S. country team may consist of various USAID and Embassy staff members and the agricultural counselor or attache.

Agriculture can certify that adequate storage facilities are available in the recipient country to prevent waste or spoilage of the commodities to be imported and that local distribution of the commodity will not result in a substantial disincentive to or interference with domestic production or marketing (Bellmon determination). This information need not accompany the official request, but must be provided and the certification make prior to the initiation of formal negotiations with the recipient government.

Review of requests for Title I food assistance and decisions on allocating available Title I financing are made in Wasington by an interagency committee--the Food Aid Subcommittee of the Development Coordination Committee.[3] The Subcommittee is chaired by the Department of Agriculture. Voting members include the Departments of Agriculture, State, Treasury, and Commerce and the Agency for International Development and the Office of Management and Budget. Each voting member has one vote and decisions are made by consensus. In those cases where interagency consensus cannot be achieved at the working staff level, issues will be directed to higher councils of government for resolution. While these issues are generally resolved at the Cabinet or sub-Cabinet level, in some instances a Presidential decision may be required.

When deciding on individual country allocations of Title I financing, the Subcommittee considers how each proposed country program will contribute to achieving the four ligislative objectives of the program: (1) providing humanitarian assistance (2) suporting economic development (3) expanding international trade and developing export markets for U.S. agricultural commodities and (4) promoting the foreign policy of the United States. In addition, country allocations will be influenced by Section 111 of the PL 480 Act which mandates that at least 75 percent of all Title I and III commodities shall be programmed to countries whose per capita incomce level falls below the criterion established for development loan financing by the International Development Association of the World Bank.

A further important factor which the Subcommittee will consider in allocating Title I food asistance is the existence of a "food gap" within the proposed recipient country. The "food gap" is the difference between current year food import requirements derived from the supply and distribution data

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[3]Prior ot 1979, this committee was known as the Inter-Agency Staff Committee. In 1978 to forge a stronger linkage to the Development Coordination Committee, the IASC was reorganized and renamed, but membership and procedures were not greatly altered by this change.

supplied by the country team with the Title I request and the recipient government's other commercial and concessional imports of food. Hence the foreign exchange position of the requesting government and its ability to import commercially are factored into consideration of the Title I request.

Title I may also be allocated to a country which does in fact have the ability to meet its total food import requirements through commercial purchases. In this instance, the program may be designed to free up foreign exchange for other imports, particularly those which directly contribute to economic development programs.

Once Washington review of the proposed Title I program is completed and the size and details of the program are determined, negotiating instructions are drawn up and sent to the Embassy. Negotiations are authorized once the Bellmon storage and disincentive certification and consultations with the third country exporters are completed.

B. Commodity Selection

The criteria by which commodities are chosen for inclusion in the PL 480 programs are mandated by Section 401 of the Act. Specifically, this section requires that the Secretary of Agriculture make an annual determination that the programming of each commodity will not reduce the domestic supply of the commodity below a level needed to satisfy U.S. domestic requirements, commercial exports, and adequate carryover. In addition, the cost effectiveness of individual commodities is considered before they are made available for programming. In recent years, commodities programmed under Title I have been wheat, wheat flour, rice, feedgrains (corn and sorghum), vegetable oil, blended and fortified foods, and cotton.

Selection of commodities for programming to individual Title I recipient countries is also guided by the PL 480 Act. In particular, Secton 103(c) and (n) require that Title I sales not displace U.S. commercial export sales nor unduly disrupt world prices of commodities and normal patterns of commercial trade.

To carry out these provisions of the Act, "usual marketing requirements" (UMRs) are established for each commodity included in the Title I agreement. UMRs represent the average annula volume of commercial import purchases during the previous 5 years. Title I assistance must be "additional" to the normal level of commercial purchases established in the UMRs. That is, the volume of any particular commodity which can be programmed to a recipient country is the difference between its total consumption requirements (minus domestic production and stocks) and the normal levle of commercial imports identified in the UMRs. Where two or more commodities could be programmed using this criteria but overall assistance is limited by budget availabilities, commodities will be programmed which show the greatest export market development potential for that particular country.

In signing a Title I sales agrement, the recipient government explicitly agrees to purchase commercially the volume of commodities stated in the UMRs. For some commodities a "tied" UMR may also be included in the agreement. A tied UMR requires the recipient government to purchase a specified portion of its total UMR from the United States.

As previously noted, commodity selection is also guided by Section 401 (b) of the PL 480 Act in that whatever commodities are chosen must not be a disincentive to domestic production and marketing and adequate storage and handling facilities must be available for importation. Title I agreements also prohibit the resale or transshipment of the commodities (export restriction) and prohibit the export of similar commodities (export limitation) to ensure that the commodities are not used to increase commerical exports from the recipient country.

C. Financial Terms

The concessional nature of Title I export financing comes from the financial terms of the agreements. The specific terms included in any agreement depend larely on the financial condition of the recipient country government.

Guidelines for Title I financial terms are provided by Public Law 480 and the Foreign Assistance Act of 1961. Repayment of the CCC loan is either in dollars or local currency which is convertible to dollars. Maximum repayment periods range between 20 years for dollar credit and 40 years for convertible local currency credit. Generally, 40 year's repayment is limited to the poorest recipient countries. Title I agreements also provide for a grace period of between 2 and 10 years before repayment is required. Minimum interest rates, as established by the Foreign Assistance Act of 1961, are 2 percent during the grace period and 3 percent thereafter.

Title I agreements may also require an initial payment by the recipient country at the time of delivery of the commodities at a U.S. port. These initial payments range between 0 and 10 percent, although 5 percent is used in most cases. Title I agreements in some cases may require a currency use payment or CUP. This allows the U.S. Treasury to request a payment on demand of local currency for use by the U.S. Embassy within the recipient country, thereby helping the United States to avoid expending its own foreign exchange to purchase the necessary local currency. Currency use payments usually range between 0 and 10 percent of the total amount of the Title I agreement.

D. Title I Operations

In accordance with Section 103(e) of Public Law 480, Title I purchasing and shipping uses private trade channels within the United States to the maximum extent practicable. Section 115 and Title I regulations require that all purchases of food commodities be made on the basis of an invitiation for bids (IFB) issued by the recipient government's embassy or other purchasing agency. IFBs must be publicly advertised in the United States, and offers must conform to the terms of the IFB and must be received and publicly opened in the United States. All awards of sales must be in conformance with the terms of the IFB, and all sales are reviewed and approved by officials of the Department of Agriculture.

Financing of Title I is provided by the Commodity Credit Corporation and is carried out through the U.S. commercial banking system. Following the signing of the Title I agreement, the recipient country government requests the issuance of purchase authorizations (PAs) which provide information on the commodities to be purchased, the timing of the purchasing and deliveries, and the financing available. With the issuance of a PA, the CCC issues a letter of commitment guaranteeing to repay the U.S. bank, through a designated Federal Reserve Bank, for repayments made to U.S. commodity suppliers for delivery of the commodities. U.S. commodity suppliers are paid promptly under letters of credit opened by the importing country through the U.S. commercial bank holding the CCC letter of commitment once documentation is presented that the commodities have been delivered. The Federal Reserve, acting as agent for CCC, in turn reimburses the U.S. bank. Repayment of the Title I loan is made in dollars by the recipient country government directly to the CCC according to the repayment schedule contained in the Title I agreement.

Public Law 480 commodity shipments are subject to provisions of the Cargo Preference Act which requires that 50 percent of the commodities be shipped on privately owned U.S. flag vessels, to the extent that such vessels are available at fair and reasonable rates. When U.S. flag vessels are used, the CCC will finance the ocean freight differential--the differential which exists between foreign flag and U.S. flag rates. Approximately 10 percent of the Title I annual budget is used to finance ocean freight differential payments.

E. Self-Help Measures and Local Currency Generations

Section 109 of PL 480 requires that before Title I assistance is provided, consideration will be given to the extent to which the recipient country government is undertaking self-help measures to increase per capita production and improve local storage and distribution of agricultural commodities. In addition, Section 109 mandates that each Title I agreement shall describe the program which the recipient country is undertaking to improve its production, storage, and distribution of agricultural commodities. Accordingly, each Title I agreement specifies a number of self-help measures which the recipient counry government agrees to undertake as part of the program of Title I assistance. Section 106(b) (2) expands the scope of self-help measures beyond the emphasis of Section 109 on agricultural production, storage, and distribution to include the broader categories of agriculture development, rural development, nutrition and population planning, and programs directed at achieving the policy objectives of Section 103 and 104 of the Foreign Assistance Act of 1961.

Section 106(b) of PL 480 also mandates that all Title I agreements specifiy that currencies generated from the local sale of the Title I commodities will be used for the economic development purposes described in the self-help measures, as well as for programs of agricultural development, rural development, nutrition, and population planning.

Both the self-help measures and the provisions for use of local currency generations are negotiated between the U.S. country team and officials of the recipient country government, generally before formally negotiating the Title I agreement. As part of the Title I program, the recipient government also agrees to submit an annual report detailing progress made in implementing self-help measures.

Annex B

MPEA Report of Development Projects
FY 1982/83

Table B-1: PL 480 Counterpart Fund Appropriations
(in $ 000s)

Project	Agreement August 13, 1980	January 8, 1981	April 6, 1982	Total
Lofa County Agricultural Development	$ 1600	$ 2500	$ 1500	$ 5600
Bong County Agricultural Development	1200	300	1276	2776
Nimba County Agricultural Development	—	1000	367	1367
Agricultural Research (CARI)	1300	1500	2130	4930
Livestock Production	300	100	15	415
Decentralization of Agricultural Sector	550	1000	—	1550
Agricultural Training (RDI)	50	10	150	210
Liberian Rubber Development	—	2200	900	3100
Buto and Dube Oil Palm Projects	—	2500	—	2500
Liberian Coffee and Cocoa Corporation	—	2000	1200	3200
Agricultural Extension Staff (Recurrent Budget)	—	890	1938	2828
Seed Multiplication Unit	—	1000	269	1269
Partners for Productivity (Nimba Co. Rural Technology)	—	—	93	93
Agricultural and Cooperative Development Bank	—	—	250	250
Rural Information Systems	—	—	342	342
Primary Health Care	—	—	500	500
Rural Health Centers	—	—	600	600
Rural Health Training Center	—	—	530	530
Feeder Roads	—	—	2245	2245
Camp Mechlin (Public Works Training Center)	—	—	565	565
Bomi Woods (Forestry Training Center)	—	—	130	130
Total	$5000	$15000	$15000	$35000

PROJECT MONITORING SUMMARY

CENERAL AGRICULTURAL RESEARCH INSTITUTE

PROJECT DESCRIPTION/OBJECTIVES:

The major objective of the project is to develop in the Ministry of Agriculture capability for planning and implementing an applied, adaptive research program in food, cash crops and livestock production. It involves the development of the major technical components of the Institute, the strengthening of the management and administration of it, and the improvement of the research extension linkages. The project started in 1980 and the first phase is expected to expire in 1985. When completed, it is expected to benefit both small and large farmers in Liberia. It is estimated that the first phase of the project will cost 9.377 million dollars. The project is financed by USAID and the Government of Liberia.

RECOMMENDED ACTIONS:

It is recommended that the following actions be taken:

1. That CARI provide us, on regular basis, with information on the disbursement of foreign funds;

2. That information on construction/renovation activities be included in future quarterly reports;

3. That the 3rd and quarter 4th allotments in the amount of $1,106,986.00 be approved.

RURAL DEVELOPMENT INSTITUTE

This project was authorized on August 20, 1977, as a five year total of $2.9m OPG to the Protestant Episcopal Church of the US (PECUSA) to establish a mid-level agricultural training institute at CUC. According to the face sheet of the Project Proposal, PECUSA and GOL were to contribute $620,000.00 and $337,000.00 respectively. AID subsequently increased its contribution by $300,000.00 in 1981 and $705,000.00 in 1982, bringing AID's life-of-project contribution to $3,905,000.00. The total cost of the project is expected to be $4,872,000.00.

The RDI is a semi-autonomous institute attached to CUC for the purpose of developing training capacity for sub-professional agricultural workers to help subsistence farmers improve their production and cash incomes. The institute accommodates 200 students and 75 - 90 trained agricultural workers will be graduated per year. The institute was officially opened in May, 1979.

BUDGET: RDI has produced three classes of graduates totalling 219 students. Of the 126 graduates in the first two classes, 85% are known to have found employment.

PROJECT MONITORING SUMMARY

PROJECT TITLE: Bong County Agricultural Development Project

PROJECT DESCRIPTION/OBJECTIVES:

The Bong County Agricultural Development Project commenced operation in January 1978, following Government's decision to initiate a strategy of integrated rural development in the rural areas. The primary objectives of the project are to improve the living standard of 7,200 farm families by providing the necessary technical services and inputs to small farmers, thereby increasing the production of rice (both upland and swamp), cassava and sitrus. In addition, the project constructs feeder roads, wells, latrains, and provide job opportunities. The total cost of the project is $20.2 million. Phase I of this project commenced in January 1977 and the expected date for completion is June 30, 1983.

During the last quarter much of the agricultural activities were centered around recruitment of new farmers and the establishment of nurseries for seedling production, both in upper and lower Bong. To date a total of 976 new farmers have been recruited: for cocoa 340, coffee 234, swamp rice 175, and 227 for upland rice. The breakdown of equipment coupled with fuel shortages prevented the unit from doing any new construction. The unavailability of funds from MOF has greately hapered the latrine and well programs. However, on the whole the project has been successful in obtaining its targets; more than 6,190 farmers have benefited from its credit and extension programs.

PROJECT MONITORING SUMMARY

PROJECT TITLE: LOFA COUNTY AGRICULTURAL DEVELOPMENT PROJECT (LOFA II)

PROJECT DESCRIPTION/OBJECTIVES:

Lofa II is a continuation of Lofa I. The main objective of the project is to increase agricultural production and productivity of rice, cocoa and coffee on small farms. The project is expected to improve 6,300 hectares of upland rice, develop 1,100 hectares of swamp rice, 3,300 hectages of new coffee, 1,940 hectares of new cocoa and 600 hectares of cassava. The project is also expected to rehabilitate 290 hectares of existing coffee. Lofa II is also designed to strengthen extension services, reorganize training for staff and farmers, construct and/or upgrade 174km of feeder roads and 60km of farm access tracks, construction of village wells (160) and latrines (100), purchase of vehicles and machinery. When completed, the project is expected to benefit 8000 farm families and will cost $28.0 million. The project is funded by IDA ($15.5 million) ADF ($9.6 million) and GOL $2.9 million).

RECOMMENDED ACTIONS:

It is recommended that the following actions be taken:

1. That disbursement of funds to the project be speeded up;
2. That the 4th quarter allotment in the amount of $460,764 be approved.

PROJECT TITLE : Nimba County Agriculture Development Project

LOCATIONS : Saclepea, Nimba County

MINISTRY : Ministry of Agriculture

PROJECT OBJECTIVES : To improve the living conditions of the rural population in Nimba County. This is to be achieved through a comprehensive development effort in a variety of sectors: agriculture, rural industries, roads, housing, water supply, health and education.

BACKFROUND : Over the past years, the Government of Liberia had made several attempts in improving the standard of living of the rural masses by adapting several approaches with development in agriculture as the focus. Inspite of these development efforts, most of Liberia's farm households still remain at or near the subsistence level of production, the productivity of the nation's agricultural resources remains low, and the production of rice, the nation's stable, and other foods, are still at a deficit.

BENEFICIARIES : Approximately 8,000 farm families.

BUDGET : BUDGET FORMAT

	FY 1981/82	FY 1982/83
(1) Personnel	For FY 1981/82 a total of $400,000 was appropriated and an additional budgetary transfer of $20,000 was granted. The breakdown is not available	$387,700.00
(2) Others: This includes related personnel expenses such as per diem, housing allowances and medical benefits.		$12,300.00
TOTAL	$420,000.00	$ 400,000.00

GTZ = German Agency for Technical Cooperation.

PROJECT MONITORING SUMMARY

PROJECT TITLE: Partnership For Productivity/Liberia (PFP)

PROJECT DESCRIPTION/OBJECTIVES:

PFP/Liberia was created by an act of Legislature of Liberia in mid 1974 to realize the development opportunity created by the LAMCO iron ore mining venture in Nimba County and to foster the development of economic activity which will survive after the ore is depleted. The project is expected to provide both technical and managerial assistance for the development of small business enterprises, agricultural land development and the development of viable cooperatives. Agricultural and small business loans are provided by the project. The project is designed to cultivate 1,500 acres of swamp rice, bring 500 new farmers into tree crop (cocoa & coffee) production, train 250 farmers at the farmer training center and to implement a program for the involvement of women in development project. 15,100 rural inhabitants of Nimba County will benefit from this project. The project is been funded by USAID and GOL and the estimated cost over the 7 years (1980-87) is put at $3,195,000.

PROJECT OUTPUTS/PROBLEMS

During the period under review (July 1, 1982 to January 18, 1983), PFP has recruited 10 extension agents. Five agricultural agents will work with the local farmers and five commercial agents with the small business enterprises. Also 28 loan applications were approved during the same period - 10 in agriculture, 16 in small businesses and 2 in cooperatives. PFP is also hoping to take on some of the LAMCO redundant employees.

PROJECT TITLE	:	Animal Multiplication
LOCATION	:	Foya, Todee, Panama, Sasstown, Kru Coast and Kpain.
MINISTRY/AGENCY	:	Agriculture
PROJECT PURPOSE	:	To provide at the cheapest rate, protein for all Liberians who might not be able to purchase a can of milk.
BENEFICIARIES	:	Local Farmers
IMPLEMENTATION PLAN	:	Our local breed of cattle (N'dana) will be crossbred with exotic breed and off-spring desiminated to local farmers; this will be done also with swine and poultry.
BUDGET	:	$15,000

PROJECT DESCRIPTION FOR SPECIAL ACCOUNT ACTIVITIES

PROJECT TITLE	:	Agriculture Cooperative and Development Bank
LOCATION	:	Monrovia with branches at Nimba, Lofa and Bong Counties.
PROJECT GOAL	:	The primary goal of this project is to increase farmers production and raise their income by providing credit facilities. With the provision of credit, farmers are able to increase the size of their farms, improve their method of production by introducing new technologies and thereby increase their returns on production.
PROJECT PURPOSE	:	The primary purpose for establishing this bank is first, develop Liberia's rural economy, through the building-up of an appropriate credit institution that will cater to the needs of farmers, especially to provide credit facilities to small farmers who cannot qualify to receive commercial credits. Another purpose of this establishment is to train Liberian personnel needed to undertake the bank's project.
BENEFICIARIES		Farmers (especially those who cannot qualify for commercial loans.
IMPLEMENTATION PLAN:		The plan of implementation of this project is to provide credit facilities to as many farmers as possible in the Republic of Liberia through the establishment of regional branches. Presently there are three regional branches located in Nimba, Bong and Lofa counties.
SPECIAL CONCERN	:	As indicated by the bank, there are numerous problems regarding the collection of credit extended to many of the cooperatives. Also that the realization of commission due ACDB by GOL is doubtful.

BUDGET	FY 1982/83
Purpose	
Capital Subscription	$500,000

PROJECT DESCRIPTION FORMAT

TITLE	:	Liberian Rubber Development Unit
LOCATION	:	Salala, Bong County
MINISTRY	:	Ministry of Agriculture
PROJECT GOAL	:	The primary goal of the project is to increase rubber export earnings and improve Liberian-own rubber farmers by providing technical assistance, developing an efficient extension service and providing funds for rehabilitating rubber trees of tappable age and the replanting, of neglected rubber plantations in various areas (zone I - Marshall and Bomi Territories; and Montserrado and Grand Bassa Counties; Zone II-comprise Bong and Nimba Counties.
PROJECT PURPOSE	:	The project is expected to be implemented over a 7 year period both planting and rehabilitation targets have been reduced from 40,000 for replanting and 35,500 for rehabilitation, to 20,000 and 14,000 respectively to be carried out through 1985.
BACKGROUND	:	The project started in 1977 as a development project, following GOL requesting the World Bank for assistance in financing of a rubber development project in Liberia. The total cost of the project is estimated at $29.6m. GOL contribution amounts to $7.4m while the farmers are to contribute $800,000, the balance of this amount ($21.4m) is to be financed by CDC, IDA AND ODM.
SPECIAL CONCERNS	:	The rehabilitation scheme was below standard, it is hoped that with the increase in the price of rubber, LRDU would rehabilitate more farms.

BUDGET :	1981/82	1982/83
Personnel	728,030	728,030
Commodities supplies	1,251,360	252,424
Training	6,830	10,546
Others	13,500	-
TOTAL	$2,000,000	$9,991,000

PROJECT MONITORING SUMMARY

PROJECT TITLE: The Liberian Coffee and Cocoa Corporation (LCCC)

PROJECT DESCRIPTION/OBJECTIVES:

LCCC was established in March 1977 as a subsidiary of LPMC. The primary reason for establishing this Corporation is to boost the nation's export earnings and increase income of farmers through increased agricultural production of coffee and cocoa. The objective of the project is to develop coffee and cocoa plantations by encouraging and engaging farmers in the most scientific and economic management of coffee and cocoa plantations with technical assistance from trained personnel; supplying farmers with disease-resistant planting materials and high-yielding cuttings; providing material assistance to farmers as regards project support inputs and providing infrastructural facilities relevant to the needs of the project.

Five (5) regional branches were set up in District No. II Compound, Grand Bassa; Bopolu, Lower Lofa; M'Baloma, Grand Cape Mount; Zwedru, Grand Gedeh and Plahn, Sinoe. Acreages proposed as targets over an eight-year-period amount to 11,696. Of this amount 4,351 represents coffee and 7,345 for cocoa. Eventhough the Corporation was formally established in 1977, its planting operations commenced in June, 1979. It is expected that project ends in 1985. Total cost is $10.2 million, with GOL and EEC as funding sources.

PROJECT OUTPUTS/PROBLEMS:

For the period under review, actual achievements of nursery seedlings are: 408,519 coffee seedlings and 135,118 cocoa seedlings. These figures also reflect large carry-ons of seedlings from the last planting season. 253.0 acres and 215.7 acres of land for the planting of coffee and cocoa respectively have been brushed and pegged, as compared to quarterly targets of 117.5 and 108.75 acres of coffee and cocoa, awaiting the planting season to commence late April. A total of 706.4 acres of cocoa and 775 acres of coffee are presently under cultivation at the four project sites visited. Other achievements include slashing, ringweeding and fertilizing of 346.5 and 528.5 acres of coffee and cocoa, as compared to the quarterly target of 366.75 and 578.5 acres of coffee and cocoa respectively. The major problems here are: the project has changed its original strategy from farmers motivation to that of establishing industrial plantations. Besides, the centralized structure of its overstaffed head coffee causes administrative delays, which create a situation of lack of confidence amongst farmers in Zone Managers and subsequently discourages farmers. For these reasons and more, the project has fallen short of its original targets; presently the Project's Plan and Zwedru Zones are under review, and it is expected that some restructuring will take place.

Note that the 1983 annual targets of 773 and 1,145 acres of coffee and cocoa have been reduced to 470 and 435 acres respectively. Management argues that this is the direct result of the lack of adequate funding.

PROJECT MONITORING SUMMARY

PROJECT TITLE: SEED MULTIPLICATION (IFAD)

PROJECT DESCRIPTION/OBJECTIVES:

The project will institute a national rice seed improvement program which will improve the efficiency of rice production by providing improved seed of recommended varieties to some 56,000 smallholder farmers in the ongoing and proposed agricultural development projects and some 35,000 smallholder farmers in Grand Bassa, Montserrado and Cape Mount Counties and parts of Bong and Nimba Counties not covered by the ongoing agricultural development projects. The project will establish a production unit to carry out seed multiplication, processing and distribution of improved rice seed. The total cost of the project for the first phase (1981/82-1986/87) is $10.2 million. The donor (IFAD/ World Bank) is expected to contribute $8.2 million and the GOL $2.0 million toward the cost of the project. It is envisaged that by project-year six the project should produce 150 tons of seed rice for distribution to small farmers.

RECOMMENDED ACTIONS:

It is recommended that the following actions be taken:

1. That if the required number of staff to be transferred to the project is not available at MOA, these people be recruited on MOA's recurrent budget and be physically transferred to the project;

2. That the allotment process be speeded up to get funds to the project on time;

3. That the 4th quarter allotment in the amount of $78,880 be approved by the smooth operation of the project.

PROJECT MONITORING SUMMARY

Project Title: The Liberia Rural Communications Network

Project Description/Objectives: The Liberia Rural Communications Network is a program intended to have regional radio stations built in four of the political sub-divisions of Liberia including Lofa, Bong, Grand Gedeh and Maryland Counties. When completed, the stations will be used to educate the rural masses on government's socio-eocnomic development programs. The project has two phases covering a five year period. Phase I includes the construction of the Central Programming Unit (CPU) in Paynesville and the station in Gbarnga, and this is expected to be completed by September, 1984. The second phase consists of the construction of remaining stations with completion date set at 1985.

The total estimated cost of the project is $19.71 million, out of which GOL is contributing $5.81 million while USAID and PCV are providing $11.7 million and $1.2 million, respectively.

Project Inputs/Problems: GOL budgeted a total of $342,000 for this project for FY 1982/83. Three allotment requests in the amount of $94,000 each, representing first, second and third quarters have already been approved and received by the LRCN Management. To date donor disbursement to the project is $1,117,854.87. Of the 94,000 for the third quarter, $22,000 is to be paid towards the $88,000 building which is being purchased by LRCN to be used as the Regional Station in Maryland. Management of LRCN has already paid a total of $44,000 against the above cost. The balance $73,000 was used for training, personnel services as well as the production of Architecture and Engineering Designs by the Milton and Richard and Stanley Consultants for the construction of the four stations.

Project Outputs/Problems: The eighteen-mongh training program of 26 Core Staff and 12 technicians who will operate the stations is continuing here in Monrovia. The USAID Technical Team and its Liberian counterparts are presently going through the technical and engineering aspects of the project and construction work will commence as soon as these technical analyses are completed.

NATIONAL PRIMARY HEALTH CARE I

This was initiated to provide health services to the entire country particularly the rural areas and the urban poor. The project will be implemented at village level through village health workers. The estimated total cost of Phase I of the project is $7.2 m. Expected sources of funding are GOL, USAID, EEC, GTZ, UNICEF and WHO. This project has not yet been started due to several revisions in the cost, financial constraints and USAID's concern in relation to GOL's ability to provide financing for recurrent costs of the project. The Ministry of Health has restructured the project to fit GOL's financing ability. For FY 82/83, $500,000 was appropriated for this project.

4 RURAL HEALTH CENTERS

This project was designed to construct a 20-bed health center in Rivercess and three 10-bed health centers in Bahn, Sasstown and Garbo-Swenden to provide medical services in these areas. The project actually started in 1980.

For the 1982/83 FY $702,000 was appropriated for this project. All the centers have been constructed. There is need now for equipment and furniture.

FEEDER ROADS - GRAND BASSA

START	:	1979
DURATION	:	3 years
IMPLEMENTING AGENCY:		Ministry of Public Works (MPW)
GOALS	:	Construct 250 miles of class 'B' roads to be implemented when the detailed engineering studies is completed - studies underway.
PURPOSE	:	Provide access to market and other facilities - schools - hospitals.
BENEFICIARIES	:	Residents of towns or villages in the region.
BUDGET	:	Actual work started in December 1982 and since then 7 miles have been constructed. Cost: $350,000.00 (GOL $50,000.00 and BRD $300,000.00).
PROBLEMS	:	Due to mis-management, dosed drum in FY 1981/82 but revitilized in 1982/80.

FEEDER ROADS (NIMBA, LOFA AND BASSA) MPW

The project which started in 1979 includes the construction and/or reconditioning of 50 miles of laterite road in Lofa and Nimba respectively, and the detailed engineering study of 64 miles of road in Bassa.

These roads are to serve as a means of connecting villages to major towns where hospitals, markets and school facilities are located.

INPUT/OUTPUT INFORMATION

INPUT: The project is financed by IBRD, and GOL. The total cost of the project is estimated at $35.5 million. Todate, total IBRD input is $10.9 million, total USAID input is $1.5 million and total GOL input is $6.8 million.

OUTPUT: Total output todate for Lofa stands at $9.3 miles whilst Nimba's total output stands at 7 miles. As regards Bassa, the detailed engineering study is being carried out and the tender documents are being prepared.

DETAILED DESCRIPTION OF PROJECTS

PROJECT TITLE : Feeder Roads: Grand Cape Mount, Sinoe, Maryland, Grand Gedeh, Bong, and Montserrado Counties.

MINISTRY : Ministry of Rural Development.

PROJECT PURPOSE : The projects are intended to increase income for farmers in rural areas and for people to have access to hospitals and schools.

BACKGROUND : Being cognizant of the importance of feeder roads construction in Nimba, Lofa, Bong, and Grand Cape Mount Counties, the government thought it wise to expand this program in other remaining counties under the supervision of Ministry of Rural Development. In 1981, feeder roads construction started in Sinoe, Maryland and Grand Gedeh counties with the expectation of finishing this program in 1985. In this FY 1982/83, MRD is also carrying out feeder road construction in Bong and Grand Cape Mount counties that have been inherited from Ministry of Public Works. Feeder roads programme also commenced in Montserrado county in this FY 1982/83.

SPECIAL CONCERN :

1. In FY 1982/83, no specific person was designated to be in charge of feeder roads program in Ministry of Rural Development.
2. Citizens of various counties were not given the chance in earmarking priority projects.

BUDGET:

COUNTY	APPROPRIATION (1982/83)
Sinoe	$343,000
Maryland	353,000
Grand Gedeh	345,000
Bong	326,000
Grand Cape Mount	319,000
Montserrado	199,000

RURAL HEALTH TRAINING CENTER

This project was expected to provide additional training facilities at Suakoko to supplement the output from existing inadequate nursing and paramedical training institutions in the country. The projected manpower needs estimated for the current plan period is 1635 or about 400 per year. During the first two years combined output was 148/year. The project is funded by GOL and EEC and the total cost is $2.5 m. EEC has already spent $1.6 m in this project. For the 1981/82 FY GOL spent $114,000 for design work, survey and construction of the student center. For FY 1982/83, $530,000 was appropriated for the design of utilities system but amount was used to cover operating costs of the maternity wing of the Phebe hospital. EEC is prepared to finance the cost of constructing the utilities system if recurrent costs are borne by GOL.

CAMP MECHLIN/RMTC - BASSA MPW

BRIEF DESCRIPTION

The project involves the training of light and heavy duty mechanics (i.e. semi-skilled civil engineers) to carry out routine road maintenance throughout the country.

This project came into being in 1975 and has been jointly financed by the Liberian Government and the West German Government.

INPUTS/OUTPUTS INFORMATION

Total West German input todate amounts to $3.36 million whilst total Liberian Government input stands at $2.140 million.

OUTPUT

Todate, the project has graduated 144 students and these have been assigned to the Ministry of Public Works and other agencies of Government. The center has also constructed over 250 miles of laterite road within Grand Bassa County.

BOMI WOODS

The budget has been discussed for this project and the FY 83/84 appropriation is $112 m. Details on the project are not yet available.

BUTO OIL PALM PROJECT

This project was originally under the management of the Liberia Palm Projects Corporation (LPPC). In 1982, Buto was separated from LPPC and management was handed over to EEC. LPPC is still a member of the Board of Directors for Buto. All the funding needed for the project has been coming from the EEC since the separation. The project is now concentrating of making the 5700 acres of plantation economical with no plans for expension in the near future.

Annex C

MPEA Report on Implementation of Self-Help Measures

PL 480 AGREEMENT ITEM #5 GOL IMPLEMENTATION OR SELF-HELP MEASURE

A. The Government of Liberia agrees to undertake self-help measures to improve the production, storage, and distribution of agricultural commodities. The following self-help measures shall be implemented to contribute directly to development in poor rural areas and enable the poor to participate actively in increasing agricultural production through small farm agriculture.

A. Improvement of Production

The Central Agriculture Research Institute continues its involvement in research activities aimed at increasing production per acre of food crops. To date they have develop two (2) high yielding rice varieties - Suakoko 8 for swamp and LAC 23 for up land. At the same time sites for rice seed multiplication are being established. Three of which are already in production - Garwula Tombe in Cape Mount County, Kpatawee in Bong and Kpain in Nimba, another site Gbedin is planned for FY - 1983/84. There is also the IFAD rice project location in Suakoko which is designed to use outgrowers to produce rice seeds for distribution to small farmers.

Improvement of Storage

The presently inadequate storage facilities at the Liberia Produce Marketing Corporation, LPMC, are to be improved in the near future upon conclusion of a loan agreement between GOL and the Government of Denmark. IFAD is also involved in improving storage facilities for rice seed distributed to the counties and territories.

Improvement of Distribution

This is a primary function of LPMC. The corporation has now moved away from the production of rice so as to concentration greater attention on its marketing and distribution functions. Also, the fact that the price or paddy was increased from 12¢ to 18¢ a pound, LPMC's subsidy or donation has been , thereby freeing its resources to improve these other functions. In the same vein, a study has been recently completed under the Lofa II project to determine areas of weakness within LPMC and how improvements can be made to up-grade its marketing and distribution functions. The GOL has also been advised of the need to meet its financial obligations to LPMC so as to enable it to improve those functions articulated above.

b. The Government of Liberia agrees to undertake the following activities and in doing so to provide adequate financial, technical and managerial resources for their implementation:

1. Decentralize the administration of agricultural programs in order to increase the productivity of these programs, improve the efficiency of decision making, and thus enlarge the number of small farmers who have access to government and private sector services.

    a. The Ministry of Agriculture (MOA) will align its payrolls to conform with the various divisions within the MOA in time for implementation in the 1983/84 GOL budget.

    b. Consistent with Executive Order 13 of August 19, 1980, which states that CARI is a semi-autonomous institution, the Agricultural Research Council and the Technical Committee will meet quarterly and will act as the Board of Directors to the Institute with the Institute Director responsible for day-to-day operations, employment, and the management of both internal and external resources available to CARI.

c. A review will be performed by the GOL within six months of the signature of this Agreement to determine how best the functions of the Liberia Coffee and Cocoa Corporation and the Liberia Palm Products Corporation can be carried out. The review will recommend to government whether these Corporations should be dissolved or this administration consolidated under the Ministry of Agriculture, or some other solutions.

2. Implement a coordinated program approach to agricultural development that emphasizes economic analysis of proposed investment decisions, limits government participation of research, extension, training, and policy formulation and encourages production by the private sector

B. <u>Decentralization of Agricultural Program</u>

1. The Agricultural Development Projects, ADPs have become extension arms of the MOA and their project Managers are now county Agricultural Officers in the areas they are located. Where there are no ADPs there are county Agricultural Officers who, like the ADPs Managers, have authority to make on the spot decisions on matters that do not pertain to policy without reference to the MOA in Monrovia. Also, a sub Research station has been established in Grand Gedeh so that farmers in the surrounding areas can have access to Research findings. Lastly, the entire country has been divided into three (3) zones of operations.

Zone 1, Bassa, Montserrado and Cape Mount; zone 2, Bong, Nimba and Lofa; zone 3, Sinoe, Grand Gedeh and Maryland. Each zone has a coordinator with support staff. They have authority to make non policy decisions that pertain to their operations without reference to MOA in Monrovia.

a. Alignment of MOA's Payroll 83/84 Budget

There has been a consolidation of the various payrolls of MOA to the extent that 19 (nineteen) payrolls (see Attach list) now reflect the total number of employees within MOA. Prior to this exercise, the number was 42 (forty-two).

b. The semi-autonomy status of CARI consistent with executive order #13

At the last quarterly Board Meeting (April 1983) of CARI the Institute was asked to state in writing what semi-autonomy should mean for them. The Board is still awaiting the submission from CARI. Beginning calandar year 1983, the Board of Directors has met quarterly, which is consistent with executive order #13: The annual budget review of the CARI Project at the Board's next meeting July 29, 1983.

c. Review of LCCC's and LPPC's Functions

The two corporations' operations were examined during CY-83 and it was determined that they were being operated at high costs especially in the area of personnel. In line with that determination, LPPC did an in-house evaluation of their operation and decided on a retrenchment program. This program has already been activated. An outside group of consultants has reviewed for LCCC their operations in Zwedru and Plahn with regard to the reduction in the size the project areas. LCCC also has done a retrenchment exercise, but only on paper as shown in their 1983/84 budget. The size and magnitude of their proposal we find unacceptable. We believe that further reduction in personnel costs could be carried out and still maintain their present level of operation.

2. Implementation of a coordinated program approach to Agricultural Development.

MOA's Blue Book entitled "Liberia's Agricultural Development Policy and Organizational Structure" address the new program approach of the Ministry, Strategies to implement these programs Organizational Structore. Ministry of Agriculture is seeking assistant from USAID to extend and strenghten the agriculture sector analysis project which is geared to improving the planning capability of that department. Activity reports from the unit are submitted directly to the Deputy Minister for Planning and Development.

The present direction of Liberia's agricultural policy emphasizes a private investment approach and limits government's participation to providing incentives and extension research and training services as well as providing and effective planning capability.

Investment proposals for the agricultural sector are usually submitted to the MPEA for analysis and commits. If said proposals are found to be economical and fit within the general framework of the nation's economic development policy, they receive MPEA's approval. If they don't, they are rejected.

a. The Government of Liberia will study rice pricing in Liberia and determine if imported rice is causing a significant disincentive to production of indigenous rice. The study will be concluded within six months of the signing of this Agreement.

b. The Ministry of Finance will development a schedule showing counterpart funds available for development projects and timing for release of those funds on a quarterly basis after allotments are received from the Ministry of Planning and Economic Affairs (MPEA). The schedule will be forwarded to USAID 90 days after arrival of each shipment of PL 480 rice.

3. Develop operational procedures for a coordinated program of agricultural research, extension and training.

3. DEVELOPMENT OF OPERATIONAL PROCEDURES FOR A COORDINATED PROGRAM OF AGRICULTURAL RESEARCH, EXTENSION & TRAINING.

Research is a function now delegated to a reorganized Central Agricultural Research Institute, CARI. To limit government's intervention, the Institute has been made a semi-autonomous agency. A Research Council has been established along with a Technical Committee to provide direction and policy guidelines for research. The Institute has been divided into eight (8) departments.

The Ministry of Agriculture now has a department of regional development and extension which is responsible to implement its extension program. It also has responsibility for over-seeing the responsibilities of the agriculture Ministry within the National Regional Development framework. Under this arrangement, the agricultural development projects become the extension arms of the MOA in their respective areas and county and regional offices have been set up in areas where there are no agricultural development projects.

The Ministry of Agriculture also now has a Bureau of Training and Education under the Department of Administration. The training function of the MOA are primarily undertaken by the Rural Development Institute, RDI. However, MOA also uses the training facilities of the College of Agriculture and Forestry and West Africa Rice Development Association (WARDA). Foreign training is conducted through projects that carry such item as a component.

a. The MOA will develop by April 30, 1983, a training plan for its extension staff and in that plan specify how the Rural Development Institute (RDI) will contribute to upgrading the skills of extension workers.

REPUBLIC OF LIBERIA
MINISTRY OF AGRICULTURE
MONROVIA, LIBERIA

Table C-1

Ministry of Agriculture Payrolls

	Code	Payroll Title	Number of Employees
1.	31-01	Central Administration	59
2.	31-02	Finance	21
3.	31-03	Information	12
4.	31-04	Logistics	17
5.	31-05	Planning & Evaluation	47
6.	31-09	Regional Montserrado	169
7.	31-10	Regional Bong County	64
8.	31-15	Regional Sinoe County	67
9.	31-16	Cooperative Division	41
10.	31-17	Regional Maryland County	63
11.	31-20	Statistics Division	93
12.	31-23	Regional Bassa County	39
13.	31-26	General Services	234
14.	31-27	Tech. Plant & Animal Quarantine	59
15.	31-30	Regional Grand Gedeh County	86
16.	31-32	Regional Cape Mount County	45
17.	31-34	Regional Lofa County	81
18.	31-35	Regional Nimba	151
19.	31-37	Technical Services	154
		TOTAL NUMBER OF EMPLOYEES	1,502

Annex D

An Analysis of Past Self-Help Measures

Although not a formal part of PL 480 program review, the following comments are offered in analysis of past and present self-help measures for Liberia.

Self-help measures (Item V) are an important element of each PL 480 Title I agreement. An annual progress report detailing progress in the implementation of that year's self-help measures is required by law.

The term "self-help" refers to measures that countries undertake to help the development of their own economies. The current law places particular emphasis on self-help measures aimed at improving agricultural production; health care, particularly in rural areas; and literacy. Types of specific self-help measures identified in the present Act include:

(1) devoting land resources to the production of needed food, rather than to the production of nonfood crops;

(2) developing agricultural inputs and infrastructure (e.g., fertilizers, machinery, transportation systems);

(3) training and instructing farmers in agricultural methods, and reducing illiteracy among the rural poor;

(4) constructing storage facilities;

(5) improving marketing and distribution systems;

(6) creating a favorable environment for private enterprise and investment;

(7) establishing and maintaining government policies to insure adequate incentives to producers;

(8) establishing or expanding institutions for agricultural research;

(9) carrying out voluntary programs to control population growth;

(10) carrying out programs to improve the health of the rural poor; and

(11) allocating sufficient monetary resources for these purposes.

The self-help measures contained in each sales agreement must be described in specific and measurable terms, to the greatest extent possible. The President is required to monitor the implementation of self-help measures, and to establish that these measures are fully carried out.*

A very important aspect of the self-help measures is that they are generally not "projectized," as is the case of economic development purposes for which proceeds...(Item VI) e.g., roads, clinics, agricultural production equipment, as a result the analysis methodology employed to determine implementation can vary considerably.

As noted above, self-help measures generally relate to program and policy issues which the country might take to help the development of their own economies. In some cases, these policies can be implemented through specific projects which are financed by currency generation from commodity sales. It is an analysis of these self-help measures --policies and programs-- which we intend to discuss.

It is generally agreed that the PL 480 Title I program was a timely USG response to Liberia's deteriorating economic situation and uncertain political stability. As a result of the urgency of this situation, we wonder how much thought from either GOL or USAID was devoted to the development of appropriate quantifiable self-help measures for the August 13, 1980 agreement. Distinction between policy and programs as compared to specific projects was lost with relatively little distinction between measures/programs/projects.

Specific projects were included within the general self-help measures (Item V) and appeared with considerably greater detail in economic development purposes... (Item VI). Without knowledge of procedures set forward in the manual section in force during 1980, it would appear that Item VI provided some information that should have been incorporated with Item V. This transfer from Item VI to Item V appeared later in the January 8,1981 agreement. The question remains of measurability of both Items V and VI of August 13, 1980, agreement. Specifics --in measurable terms-- of how these self-help measures were to be accomplished were somehow omitted.

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* Fuell, L.D., 1982. The PL 480 (Food for Peace) Program: Titles I/II Terms and Conditions; Planning and Implementation Procedures, USDA/RAS, Washington D.C.

The last item in the January 8, 1981 agreement is probably the most concisely stated of any of those self-help measures (rubber price policy). Unfortunately, it does not provide for a specific time frame. We assume that formulation of the rubber price policy would occur within that agreement year.

Again, in the April 6, 1982 agreement, detailed time frames for individual self-help measures were also omitted. The measures stated in Item V indicate in a broad brush fashion what is to be done, but unfortunately, does not provide any benchmarks to determine progress in meeting the stated measure.

It was not until the December 17, 1982 PL 480 agreement that self-help objectives, where appropriate, were stated in quantifiable terms (six of nine). Unfortunately, government's draft response reporting progress on implementation of these latest self-help measures is not acceptable.

Certainly, in fairness to both Liberian Ministry and Mission personnel, policy determinations and implementation of creative administration reforms during 1980-1981 were extremely difficult.

Even today, prompting the GOL to take the first steps necessary twoards formulating critically needed public policies in agriculture, e.g., rice pricing, mechanism for dissolution of public agricultural corporations, status of government's involvement in mechanized agriculture, remain unanswered.

Liberia has had no clear cut forum, which we believe necessary, for development on national policies. It is doubtful if this situation will change prior to the military's returning government to civilian administration. We would suggest, as has been done in the recent past, development of time-framed benchmarks, the implementation of which could be measured. Working closely with the ministries to determine the best direction for future policies, these benchmarks would set a clear forward path for further necessary actions. Even such a simplistic approach as a writing of those appropriate self-help measures in behavioral terms might provide a measured degree of positive response--a policy direction. Behavioral objectives might also serve relevant ministries to seek interaction with other ministries whose positive action is important if a general policy direction is to be maintained.

Clearly, those who are responsible with the ministries have attached little importance towards implementation of the stated self-help measures. This, we believe, is primarily due to the sweeping and almost impossible nature of the past self-help measures. Once the self-help measures are developed in terms of benchmarks, a coordinating committee within each ministry might meet quarterly to review present progress and future actions in anticipation of meetings with the proposed GOL/USAID Coordinating Committee.

Improving inter-ministerial communications and clearly defining responsibilities is extremely important to the success of any multi-agency program in Liberia. This probably particularly true of PL 480 where you have such a large number of actors --ranging from Foreign Affairs to LPMC. Possibly this should appear as a self-help measure.

Annex E

Government of Liberia Rice Price Policy As a Stimulus to Rice Production

Overview

Rice is Liberia's staple food. Annual rice consumption in Liberia is approximately 240,000 MT or 275 pounds per capita, one of the highest rates in Africa (figure E-1). About 65 percent of Liberia's rice supply is produced domestically, the remainder is imported. The imported share has been increasing through time. About one half of Liberia's rice imports in 1982 were financed under USAID's PL 480 program.

Most of Liberia's domestic rice production is consumed in the producer's household. As a result, only about 30 percent on the rice marketed in Liberia is from domestic sources. The rest comes from imports. The lowest rice prices in Liberia are generally found in Monrovia, Liberia's major port.

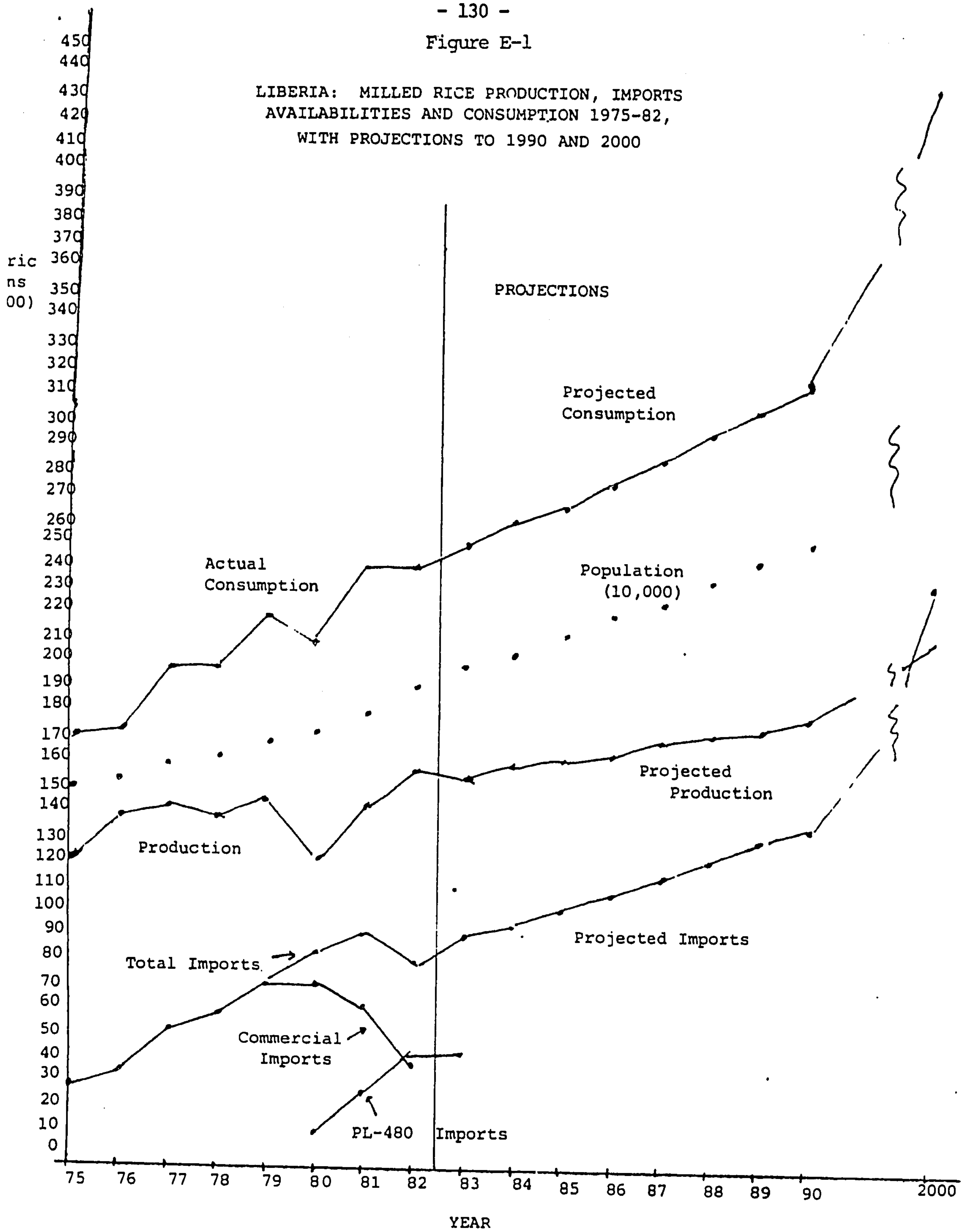
GOL Rice Price Policy

Liberia's rice price policy has two facets, one for consumers and one for producers.

Consumer Price Policy - Liberia's consumer rice price policy is to maintain a stable domestic retail price at about the level of world rice prices. The current fixed retail price for rice is 24 cents a pound. This price is supported by ceiling prices on transactions at lower levels in the marketing channel. Importers, such as LPMC, are supposed to pay any difference between their landed price plus port handling costs and 22.65 cents per pound to the rice stabilization fund to cover losses the government might incur maintaining fixed retail prices and the farm level support price. The wholesalers charge Monrovia retailers 23.30 cents a pound. Prices upcountry are supposed to reflect increased transportation costs.

Figure E-1

LIBERIA: MILLED RICE PRODUCTION, IMPORTS AVAILABILITIES AND CONSUMPTION 1975-82, WITH PROJECTIONS TO 1990 AND 2000



Source: Table E-1

Monrovia Rice Price Structure

Retail Price	24.00 cents per pound
Wholesale Price	23.30 cents per pound
Importer's Price to Wholesalers	22.65 cents per pound

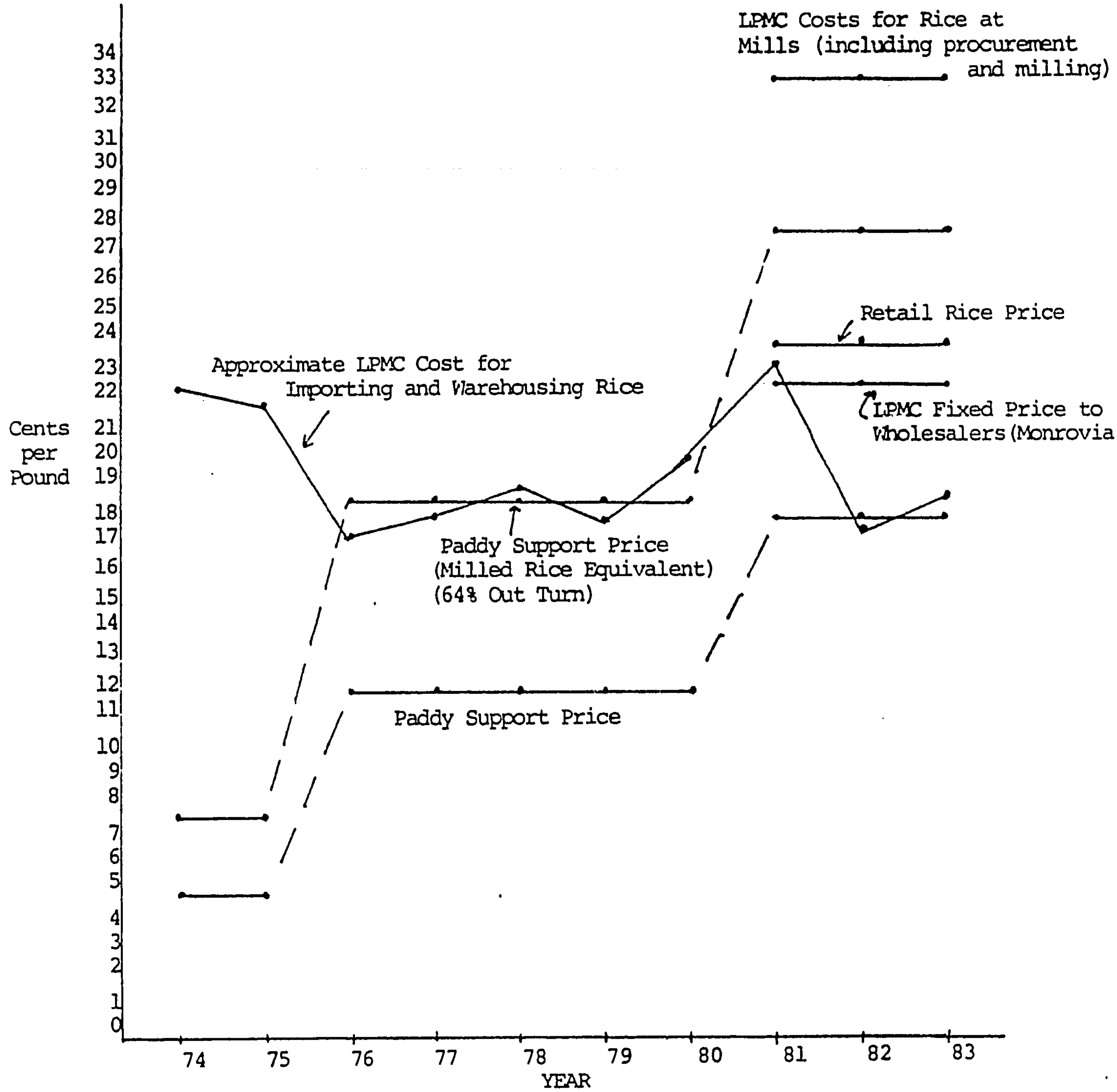
LPMC imports all of Liberia's PL 480 rice and distributes it through wholesalers and retailers.

The general pattern of Liberia's imported and retail prices is found in Figure E-2. It will be noted that current (1983) imported prices plus handling costs are below the importer's ceiling price of 22.65 cents per pound, thus some funds are flowing into the rice stabilization fund. Should world rice prices rise significantly in the future, importers will no longer be able to import rice at a profit. It will then be necessary for GOL to either subsidize rice imports or raise the retail price level.

Producer Rice Policy - GOL has set a floor under producer paddy prices for several years. The floor is maintained by LPMC standing ready to buy any paddy offered to it at the floor price. LPMC pays buying agents a 6 percent commission plus their transportation costs for procuring the paddy from farmers and delivering it to one of LPMC's three mills (Ganta, Gbarnga, and Voinjama).

GOL's floor price for paddy and its equivalent milled rice price has increased considerably in recnet years. It was five cents (7.8 cents) in 1974-75, 12 cents (18.7 cents) between 1976 and 1981, and 18 cents (28.0 cents) since 1981. Adding procurement and milling costs to the cost of the paddy equivalent brings LPMC's total cost of milled rice at the mill to about 33 cents per pound. This is about 50 percent more than the price LPMC is currently importing rice at and thus might be seen as a 50 percent subsidy to producers. When funds are insufficient in the rice stabilization fund to cover LPMC's losses on the paddy it mills, GOL must subsidize the price support program from general revenues.

Figure E-2, Liberia: Government (LPMC) Costs for Imported Rice and Fixed Farm, Wholesale and Retail Rice Prices.



Source: Table E-2, E-3.

GOL Prices as a Stimulus to Rice Production

To what extent is GOL's price policy a stimulus to rice production? It should be pointed out from the start that even without GOL price supports, there is a strong stimulus to produce rice in Liberia. Rice production is Liberia's largest industry. The issue then is how much might higher prices further stimulate rice production in Liberia?

Certain background information is important to understanding the Liberian rice farmer's response to price incentives.

1. Liberia has 194,000 farms, of which 83 percent produce some rice. The typical rice farmer grows three to four acres of rice per year, the amount of rice land a family can cultivate during the growing season. He follows a bush-fallow rotation. The previous year's rice land is often planted to cassava or peanuts. Many farmers raise some cane sugar, coffee or cocoa as well.
2. Ninety percent of Liberia's rice is upland, rainfed rice rather than irrigated or swamp rice. The upland rice crop is usually interplanted with one or more other crops such as corn, cassava, and vegetables.
3. Liberia's upland soils are generally poor (minerals leached out, iron toxicity, and high vertical drainage) and relatively unresponsive to fertilizer, thus yields are generally low (1,000 to 1,300 pounds per acre.)
4. The males of the farm household clear the rice land with hand tools while the crop is generally planted,cultivated, and harvested by females using hand tools. The main limitation to increasing the area under rice cultivation in Liberia is a shortage of female labor.
5. There are no new well-accepted rice producing technologies available that will significantly increase yields except for LAC-23 and other new rice varieties coming on stream.
6. There has been a large migration of labor from the rural to the urban areas in Liberia. As a result, the rural population is growing only about 1.7 percent per year, while the national population is growing 3.3 percent per year. Liberia's rice farmers will thus have to grow increasing amounts of rice per farm to maintain their current share of national consumption (65 percent).

The World Bank recently completed a study on rice production in Liberia and the impact that increases in rice prices might have on national output.[1] They came to the following conclusions:

1. The price elasticity of rice marketings in Liberia is around 1.8, i.e., if prices to farmers were raised to 10 percent, their marketings of rice, at least in the short run, would increase 18 percent. Some of the increase would come from a substitution of cassava for rice in the farm family's diet.
2. The price elasticity of total supply for rice in Liberia is only about 0.10, i.e., for each 10 percent increase in price, Liberian rice production will only increase 1 percent.

LPMC's recent experience supports the World Bank's estimates that the price elasticity of rice marketing in Liberia is fairly high. Since the GOL's buying price for paddy was increased from 12 to 18 cents per pound in 1981, paddy deliveries to LPMC's three rice mills have increased dramatically. They were 1,902 MT in 1980/81. They increased to 2,872 MT in 1981/82 (plantings were before the announced price increase), and to 10,000 MT in 1982/83 (1982 crop, but marketed in 1983), a 243 percent increase in one year.

The 1983 purchases were still only 3.75 percent of national production, however. The main reason that LPMC does not get a larger proportion of the rice is that most of it is hand pounded and consumed in the villages in which it is produced. In some cases, local market prices exceed the LPMC price, and in others, no LPMC purchasing agent comes to the village.

The main reasons given for the low price elasticity of supply for rice in Liberia are as follows:

1. Lack of additional labor, particularly female labor, to expand the area under cultivation.
2. The low yield response of upland rice to fertilizer and other inputs.
3. The low return to labor in producing rice at going market prices. The World Bank report estimates that rice prices would have to increase to $800 per MT, double present world prices, before rice production would provide an attractive return to labor.

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[1]World Bank, Liberia Agricultural Sector Review, Vol. II, Report No. 4200-LBR, Washington, D.C., 1982.

Based on the low price elasticity of supply for rice in Liberia, the World Bank study projects that Liberian production will only increase over the next ten to fifteen years, at about the same rate per year as the increase in Liberia's rural population (1.7 percent), plus a small additional amount in response to new technology such as improved rice varieties (Figure E-1). As a consequence, they project that by the year 2000, Liberia will be importing more rice than it produces.

Conclusions

It appears that there is a fairly high price elasticity of rice marketings (1.8 percent) in Liberia, but that the price elasticity of total rice production is relatively low (0.10). Thus if GOL wants to significantly increase rice production in Liberia through the price mechanism, it will have to raise producer prices well above current levels. Such a program could become quite expensive.

GOL should be given an "A" for effort in trying to increase rice production through the price mechanism. Paying farmers 50 percent above the world price for their rice is highly commendable.

It looks like the main increases in rice production in Liberia between now and the year 2000 will come from increases in land under cultivation and improvements in production technology. The latter will be cheaper to provide than still further increases in price.

That said, the final chapter on how Liberian rice farmers respond to price incentives has not yet been written. Before making any radical changes in its producer price policies, GOL should continue to monitor the increases in production and marketings stemming from the price increases it instituted in 1981. There has been little time yet for this price increase to have its full impact. Should it prove more successful than the World Bank study suggests, GOL should then consider what new price policies, if any, it should initiate.

LIBERIA: MILLED RICE PRODUCTION, IMPORTS, AVAILABILITIES AND CONSUMPTION 1975 - 83, WITH PROJECTIONS TO 1990 AND 2000

	ESTIMATED NET GOL DOMESTIC PRODUCTION (MT)	COMMERCIAL IMPORTS (MT)	PL - 480 IMPORTS (MT)	TOTAL IMPORTS (MT)	NET AVAILABLE (MT)	IMPORTS PERCENT %	POPULATION (Mil)	PER CAPITA CONSUMPTION (KG)
1975	125	31		31	176	18	1.54	114
1976	141	38		38	179	15	1.58	113
1977	147	56		56	203	28	1.62	125
1978	141	61		61	202	30	1.67	121
1979	149	74		74	223	33	1.71	130
1980	125	74	13	87	212	41	1.77	120
1981	147	65	30	95	242	39	1.83	132
1982	160	40**	43	83	243	34	1.95	125
1983	141*	43**	45	88	229	36	2.01	114
			PROJECTIONS					
1983	159			94	253	37	2.01	125
1984	163			98	261	37	2.08	125
1985	165			104	269	39	2.15	125
1986	168			110	278	40	2.22	125
1987	171			117	288	41	2.29	125
1988	174			123	297	41	2.37	125
1989	176			131	307	43	2.45	125
1990	180			137	317	43	2.53	125
2000	211			228	439	52	3.50	125

SOURCE: Table V for 1975 - 83 data

World Bank For 1983 - 2000 Projections.

*Estimate based on averaging of 1977/81 production

** Liberian Produce Marketing Company (Source)

Table E-2

Liberia: Rice Imports, CIF Price, LPMC Import Costs, Wholesale Prices and Profits, 1974-83

YEAR	Imports (MT 000)	CIF Price ($MT)	CIF Price (¢/lb.)	LPMC Port & Handling Costs (¢/lb.)	Total LPMC Import Cost (¢/lb.)	LPMC Fixed Price to Wholesaler (¢/lb)	LPMC Profit o: Loss (¢/lb)
1974	35	451	20.5	2.0	22.5		
1975	31	439	20.5	2.0	22.0		
1976	38	339	15.4	2.0	17.4		
1977	56	354	16.0	2.0	18.0		
1978	61	375	17.0	2.0	19.0		
1979	74	351	16.0	2.0	18.0		
1980	87	395	18.0	2.0	20.0		
1981	95	469	21.3	2.0	23.3	22.7	-0.6
1982	83	345	15.7	2.0	17.7	22.7	+5.0
1983 (est.)	88	370	16.8	2.0	18.8	22.7	+3.9

Table E-3

LIBERIA: Government Fixed Producer, Wholesaler and Consumer Rice Prices and Collection and Milling Costs, 1974-83

YEAR	LPMC Paddy Purchase Price (¢/lb.)	LPMC Equivalent Milled Rice Price 64% Out-turn (¢/lb.)	LPMC Procurement Costs (¢/lb.)	LPMC Milling Costs (¢/lb.)	LPMC Total Cost of Rice Sold (¢/lb.)	LPMC Fixed Price to Wholesalers (¢/lb.)	LPMC Profit or Loss (¢/lb.)	GOL Fixed Retail Price (¢/lb.)
1974	5.0	7.8						
1975	5.0	7.8						
1976	12.0	18.7						
1977	12.0	18.7						
1978	12.0	18.7						
1979	12.0	18.7						
1980	12.0	18.7	1.6	3.6	23.9			
1981	18.0	28.0	1.6	3.6	33.2	22.7	-10.5	24.0
1982	18.0	28.0	1.6	3.6	33.2	22.7	-10.5	24.0
1983	18.0	28.0	1.6	3.6	33.2	22.7	-10.5	24.0

ANNEX G

COMMENTS ON PL-480 EVALUATION

The PL-480 Program Evaluation is very comprehensive. The team is to be commended for the fine job they have done on a difficult assignment.

The Ministry of Agriculture is in complete agreement with the statements and recommendations for a greater involvement by the Ministry in the setting of the PL-480 fund allocations. This food aid support must be used for development work in agriculture and the choices of priorities in this sector should be done in cooperation with the Ministry. While it is true that many of the discussions have already transpired in the building of the development budget, the PL-480 fund does not cover all of the items in the agricultural sector. Because the PL-480 funds are somewhat more dependable, decisions about their allocation can have important impacts on the agricultural projects. Agriculture must be represented if it is to fulfill its responsibilities.

We find the discussion on page 71 (items 1 and 2) a little confusing. In item one, the balance of payments fluctuates, apparently because quantity imported is relatively constant due to the administered price (i.e., demand does not change) and to increase or decrease in commercial imports offsetting decreases or increases in PL-480 purchases. Yet in item two, only PL-480 is considered when the nutritional impact is considered. If the same quantity is consumed, does it make any difference whether the rice is PL-480 or commercial? This discussion does raise some other interesting unstated points about the assumptions. Should the price of rice remain fixed at a level too different from the "world price"? What are the effects of such gaps? Will the commercial imports expand or contract in a reasonably close relationship to PL-480 imports so that an adequate supply of rice will exist on Liberian markets? To what extent are the commercial imports responsive to market conditions and to what extent to the regulation of imports through the issuing of permits, etc.? Are the administrative channels efficient? The consultants could have addressed these and similar questions in more detail.

With regard to the factors influencing changes in farm rice production, we would raise the following points. In addition to the reasons listed on page 33 why farmers produce rice, there is also a strong desire for personal food security and a continuation of traditional life styles which include many activities associated with rice production. In considering farmers response to price increases, the assumption is made throughout the paper that farmers receive eighteen cents per pound of paddy; we cannot help but wonder if the consultants pondered this assumption and its possible impact on their analysis. Also, on pages 133-134 the statement is made that the major limiting factor to increased rice production is a shortage of female labor. We have difficultly accepting this statement. The outmigration to urban areas is heavily weighted towards male movement; the rural population is increasingly comprised of women, children and old men. A major labor shortage accurs among working age men. Other factors limiting rice production are that many cash crops give greater returns than rice and that we still do not have adequate new technology to change the output of rice.

We noted with interest the short paragraph on page 84 discussing Title III of the PL-480. The availability of loan forgiveness is always of interest and from this short statement one would think that Liberia surely would be eligible as a long term friend in current need. Is Title III available? Can we have more information about this provision of the law?

The Ministry would like additional study given to the recommendatio on page 73 concerning feed grain imports. We wish to increase our livestock production and we are particularly interested in poultry and hogs at this time. We favor any action which would be supportive of the expansion of these industries and believe there may be some potential in further examination of increasing feed supplies in this manner. A few minor comments include:

1) On page 27, mention was made of closing Cayalla. Government is negotiating a joint venture with a foreign private partner firm that will also manage the plantation.Meanwhile it is still in opera

2) Page 35 - Table VI. The Ministry cannot accept this linear projection of rice production. (1) CARI has several new varieties which realistically could alter domestic production, and (2) given world rice price projection, the price of rice to Liberian consumers will of necessity increase. Consumers are responsive to such increases and will cut back on rice consumption, probably substituting root crops. Further, it will remain GOL policy to keep farmer prices as high as is possible at any level of retail rice price; when rice becomes a competitive crop, vis-a-vis other crops, farm production will increase.

3) Page 37. It would appear that the "Monrovia market" is very large and probably includes a lot of rice sent to home towns by people working in or visiting Monrovia. Estimated urban consumption divided into market requirements results in a market population of almost 600,000 people.

4) Page 69. Text states $1.86 million and table gives $2.37 million. Why?

5) Page 136. Estimating 1983 domestic rice production from a five year historic average neglects current forces, incentives, and actions by the Ministry of Agriculture to increase rice production. We believe this year's crop will equal or be slightly less than the 1982 domestic production.

6) We are in accordance with the experts' recommendation that LPMC withhold credits to delinquent wholesalers/retailers. In addition to such actions, GOL should take some actions against these debtors to immediately begin paying on these debts.

7) A study to determine the rice absorbing capacity of the Liberian market should be conducted by LPMC which could result in an increase/decrease in the colume of rice imported into the country. This study will, among other things, indicate monthly demand (i.e., seasonality), geographic areas of higher demand, etc., and help regularize importation in terms of time and distribution.

8) The Ministry of Commerce, Industry and Transportation should have more stringent control of licenses to commercial importers so that the PL-480 rice will easily be sold since the proceeds are more important to our development efforts. If possible, MCIT should monitor already issued licenses and if found necessary, withdraw same once the commercial importer does not comply with Government's regulations.