LIBERIA

COUNTRY DEVELOPMENT STRATEGY STATEMENT

FY 1986 - FY 1989

USAID/Liberia
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List of Abbreviations

AAPL	Annual Assistance Planning Level
AID	U.S. Agency for International Development
CARI	Central Agriculture Research Institute
CDSS	Country Development Strategy Statement
DA	Development Assistance
EEC	European Economic Community
ESF	Economic Support Funds
FP	Family Planning
GDP	Gross Domestic Product
GOL	Government of Liberia
IBRD	International Bank for Reconstruction and Development
IDA	International Development Agency
IEL	Improved Efficiency of Learning
IFAD	International Fund for Agricultural Development
IGGL	Inter-Governmental Group for Liberia
IMF	International Monetary Fund
LOIC	Liberia Opportunities Industrialization Center
MDG	Monrovia Donors Group
PD&S	Project Development and Support
PHC	Primary Health Care
PRC	People's Redemption Council
PSC	Personal Services Contract
PVO	Private Voluntary Organization
SAL	Structural Adjustment Loan
SDR	Standard Drawing Right
TA	Technical Assistance
UNDP	United Nations Development Program
USAID	U.S. Agency for International Development Mission to Liberia

I. ANALYSIS

A. Economic Overview

Between 1980 and 1982, Liberia's monetary economy (as distinct from the non-monetary or rural subsistence economy) registered an average annual decline of 4.4% in real terms. Monetary gross domestic product (GDP) in 1971 dollars at factor cost fell from $366.2 million in 1980 to $336.5 million in 1982, while total GDP (including the non-monetary sector) declined from $443.4 million in 1980 to $417.5 million in 1982. Preliminary estimates for 1983 indicate a further decrease of about 3% or more in real monetary GDP. Severe power outages in 1983 and early 1984 continue to have a serious negative effect on production. Liberia's negative growth also illustrates the influence on the economy of the world recession and the virtual lack of new productive investments; the overall decline in total GDP occurred despite a resurgence of growth in the non-monetary subsistence agriculture sector.

i. Sectoral Performance

The mining industry is dominated by iron ore which accounted for about 29% of real GDP in 1982. The mining companies have gone through an extremely difficult period leading to the introduction of major cost reduction schemes in late 1982 and again in early 1984. A recent EEC-funded study indicates that iron ore mining in Liberia may effectively cease during the latter part of the decade, i.e. in 1986-87, unless new (known) reserves are exploited. This will require, however, large-scale capital investment, which is unlikely so long as iron ore prices remain depressed. Local representatives of the mining concessions report a further drop in contract prices of 8%-11% in 1984 along with additional production cuts.

Approximately 70% of the population depends on agriculture and related activities. The agriculture sector consists of a monetized sector, which produces essentially for export, and the traditional sector, producing mainly for subsistence. Monetized agriculture's contribution to GDP declined from over 19% in 1980 to about 14% in 1982. This was due to a significant fall in production of rubber and logs as a result of depressed export prices. The recent rise in the world market price for rubber will improve the situation, and many small rubber farmers have begun to tap their trees once again. Two large rubber concessions hope to initiate expansion plans in the near future. GOL pressures on the rubber concessions to resume or increase tax and/or royalty payments may inhibit the expansion and have already caused a third concession to halt a needed rehabilitation program. With rubber trees having a peak production period of 25 years, with eight years needed to bring new trees into production, and with most of Liberia's productive trees having been planted during the Korean War, rehabilitation/re-planting will become an important issue over the next few years. Coffee and cocoa exports have essentially remained stable over the past year.

Hopes that the Liberian timber industry might begin to recover in 1983 were not realized. The timber industry remains severely depressed. The number of active companies has dropped from 30 in 1980 to about six in 1984. Although there has been some revival in European demand for West African timber, Liberia has so far not benefited because the strength of the dollar makes prices unattractive relative to timber from the Ivory Coast, Cameroon and Gabon. Also, the IBRD has predicted that Liberia's prime timber species may be exhausted in the mid-1990's and recommended conservation and controlled harvesting.

Although most Liberian-grown rice is not marketed but consumed, there is evidence that domestic rice production has increased significantly (10%) over the past two harvests. Sales of paddy to the government marketing agent have increased. However, some of this rice may have come from neighboring countries where the dollar is in demand. Major factors benefiting domestic rice production may have been increased farm gate prices (to world market levels), good rainfall, and additional land being brought under cultivation.

Except for "government services", whose contribution constitutes little in the way of increased productivity and value-added, the domestic-oriented sector continues to be depressed. Manufacturing activities account for only about 7% of monetary GDP and provide employment for around 6,000 persons. Manufacturing establishments are mostly foreign-owned and limited to assemblage, agricultural processing, beverages and chemical products.

2. Government Finance and Balance of Payments

Depressed economic activity has significantly reduced Liberia's revenues and contributed to the continuing fiscal crisis facing the GOL. Simultaneously, recurrent expenditures have risen and efforts to curtail them have proven difficult to implement and to sustain, thereby proving only partially successful. The country continues to be plagued by large budget deficits ($118 million in budget year 1981/82, an estimated $99 million in 1982/83 and about $42.4 million projected for 1983/84).

To meet IMF deficit targets and to sustain high recurrent budget levels, GOL contributions to the development budget fell by about a third between 1979/80 and 1982/83. Currently, GOL spending for development is primarily for counterpart funding to support donor projects and is used for salaries of GOL staff involved in projects. GOL development projects which are not donor supported are primarily construction-related and not necessarily focussed on increasing productive capacity. This problem is further complicated by the GOL's illiquidity.

An equally major problem area is the balance of payments with export earnings depressed, demands on the offshore funds account to meet domestic spending needs, rising debt obligations, and inability to build up FX reserves (see Table I). Further, there has been significant foreign disinvestment averaging $30 million per annum between 1979 and 1981. Though the rate of disinvestment slowed in 1982 and 1983, any economic recovery program must aim at reversing this trend. Liberia's external debt position has deterioriated considerably in recent years. Annual debt service payments increased from $21 million in 1975/76 to $71.4 million in 1982/83 and were budgeted at $93.5 million for the current budget year 1983/84. Despite successful Paris Club and London Club reschedulings since 1980, annual debt service payments remain a very heavy burden on Government finances.

B. Stabilization Update

The GOL is seeking to solve its severe economic problems through a series of Standby Agreements with the International Monetary Fund (IMF) and through annual U.S. Economic Support Fund (ESF) grants. All have centered on alleviating budget deficits through measures to increase revenue, improve expenditure controls, strengthen public sector management, and limit domestic and external borrowing.

The current 1983/84 IMF Standby (SDR $55 million or $58 million), was approved in September 1983 and continues to focus on public sector expenditures, limiting the overall budget deficit and domestic bank financing to $42.4 million and $30 million, respectively. This Standby Agreement is possibly the final one under which Liberia can receive funding to supplement its own resources. Even if a new Agreement is signed, there most likely will be no net inflows given the level of repurchases Liberia must make from the Fund. With future IMF transfers wholly covering GOL repurchases from the Fund and debt one might anticipate as well some diminution of IMF leverage in enforcing Standby conditions.

TABLE I

Foreign Assets of the Banking System

December, 1979 - September, 1983

($ Million)

	Dec. 1979	Dec. 1980	Dec. 1981	Dec. 1982	Dec. 1983
National Bank of Liberia (Net)	-12.5	-71.9	-109.8	-166.1	-184.4
Foreign Assets	(54.9)	(4.0)	(13.3)	(12.2)	(15.7)
Foreign Liabilities	(-67.4)	(-75.9)	(-123.1)	(-178.3)	(-200.1)
Commercial Banks (Net)	-27.0	-29.7	-40.8	-35.4	-11.4
Foreign Assets	(35.8)	(19.7)	(15.5)	(19.1)	(24.0)
Foreign Liabilities	(-62.8)	(-49.4)	(-56.3)	(-54.5)	(-35.4)
Total (Net)	-39.5	-101.6	-150.6	-201.5	-195.8

The IBRD is presently appraising a Structural Adjustment Loan (SAL) for early 1985 approval which could provide up to $25 million in budget support over an 18-month period. This IDA credit will be predicated on policy reforms in the areas of fiscal management, public corporations management, agriculture and energy.

Government, IMF and AID stabilization efforts have had at best mixed results with GOL financial problems proving more persistent and complex and needed solutions more long-term in nature than originally expected. Table II illustrates that some progress has been made, but this has been less than expected and difficult to achieve. The wage bill has been cut from $157.7 million in 1981/82 to $136.5 million in 1982/83 and is projected at $122.1 million in 1983/84. Expenditure cuts realized have not occurred as rapidly or in the amounts originally projected. Revenues, a comparative bright spot, have fallen short of targets (in part due to the overall decline in imports with the resultant fall in customs/excise tax collections), leaving still sizeable budget deficits.

To its credit Government has, albeit often with much difficulty and some tolerance from the IMF and U.S., maintained one of the better records in Africa for compliance with IMF terms. It has taken difficult, even courageous policy decisions - the rice price increase in 1981 and the wage cuts for GOL employees in 1982 - and has under consideration at the time of this writing a proposal ultimately to reduce by 33% the number of Government employees. A GOL hiring freeze is in its second year, and Government recently for the second time and with USG "prodding" reduced official travel per diem rates.

Implementation of GOL policy and other directives falls seriously short, reflecting deficiencies in administrative systems (for example, nine months are required to record expenditures after they are made); evasion (personnel promotions have eroded gains initially made by 1982 wage reductions), and ineffective expenditure controls, which enable budget levels to be exceeded and extra-budgetary expenditures to remain high. While revenue collections are up in areas where Internal Revenue Service advisors work, increases in collections due to special campaigns are hard to sustain. U.S. Customs advisors, in place since April 1983, are confronted with lack of necessary and secure warehousing, poor morale, and seriously under-developed organizational and management structures in addition to chronic problems of under-invoicing, poor records, and graft.

TABLE II

Summary of Fiscal Operations, 1979/80 - 1983/84

(In $ Million)

	1979/80	1980/81	1981/82	1982/83	1983/84 1/
Revenue	202.8	217.9	237.9	223.4	247.0
Grants	23.0	24.5	41.4	33.0	59.0 2/
Total (1+2)	225.8	242.4	279.3	256.4	306.0
Current Expenditure	152.1	212.0	261.4	270.3	180.5
Wages & Salaries	(94.4)	(138.1)	(157.7)	(136.5)	(122.1)
Interest on Debt	27.6	20.8	39.2	44.2	54.9
Total	179.7	232.8	300.6	264.5	235.4
Current (+/-)	46.1	9.6	-21.3	-8.1	70.6
Development Expenditure	134.0	124.2	96.4	90.9	113.0 2/
Local	(-)	(59.1)	(62.8)	(56.9)	(53.5)
Foreign	(-)	(65.1)	(33.6)	(34.0)	(59.5) 2/
Overall +/-	-87.9	-114.6	-117.7	-99.0	-42.4
Financing of Deficit	87.9	114.6	117.7	99.0	42.4
Foreign (Net)	65.5	60.2	39.9	37.7	12.4
IMF Drawings	(87.0)	(67.2)	(46.4)	(43.1)	(51.0)
Amortization	(-21.5)	(-7.0)	(-6.5)	(-5.4)	(-38.6)
Domestic Borrowing	22.4	54.4	77.8	61.3	30.0

1/ Budget estimates.

2/ This figure is recognized as inflated, and the GOL may do well to maintain the 1982/83 levels.

Two very promising developments have occurred over the last year. A U.S. "Wheeler" Interagency Group for Liberia began formulating a course of action for a more integrated U.S.G. approach to Liberia for the short and medium terms. Beyond marshalling support for more resources for Liberia, the Group should contribute to enhanced policy formulation.

In late 1983 the UNDP hosted a donors conference on Liberia. While the meeting did not immediately generate new external assistance commitments, it did launch efforts to create the U.S.-chaired Inter-Governmental Group for Liberia (IGGL). Country Team efforts, supported by Washington, to obtain agreement to the IGGL's terms of reference are nearing completion and demarches to the four prospective members who have not yet agreed to join are underway. The first IGGL meeting may occur in late 1984. Similarly, the Monrovia Donors Group (MDG), a local coordinating body, is to be announced in March 1984. Together the IGGL and MDG should improve the targetting and utilization of donor and GOL resources, facilitate a more coordinated donor-GOL dialogue, widen the number of donors active in Liberia, and ultimately, it is hoped, increase assistance flows.

C. Economic Prospects

Prospects for financial stability and initiation of recovery in the short-term, i.e., during 1984-87, will depend on a combination of external economic improvements and the strength of GOL's policy and implementation performance. A significant increase in iron ore prices might make new investments profitable. Otherwise, the GOL should start planning for the economic (and possibly political) dislocations which will flow from closure of the iron ore mines. The tree crop sector may grow slowly, but cannot replace the loss of revenue and employment generated by the iron ore industry. Rehabilitation of rubber trees and timber conservation will become increasingly important though the latter is difficult in a country where slash-and-burn agriculture predominates and controls on timber companies are weak..

Heavy public sector expenditures, especially for salaries, continue to plague the GOL budget. Although salaries of government workers were reduced by 16%-25% in December 1982, further reductions in the aggregate payroll are required to balance the budget, ease domestic liquidity constraints, and ensure that funds are available for drugs, school supplies, gasoline and other materials which government workers need to provide GOL services. An effective, sustainable program to cut the payroll and to control spending, especially extra-budgetary, is central to achieving stabilization goals. This, in turn, requires strengthening GOL institutional and economic management capabilities.

With the IMF no longer able to provide significant budget support in the short term great pressure will be placed on the United States to increase ESF levels and on the IBRD to finalize the SAL quickly. The GOL will continue to face hard budgetary decisions in order to simultaneously keep debt payments current, import oil and pay Government salaries. In fact, during the concluding days of the military government it may be faced with politically unpalatable economic decisions which may not be taken unless there is strong and continuing support from the donors.

Over the long term, a significant restructuring of the Liberian economy, including export diversification and increased import substitution, will be required if Liberia's economic base is to broaden so as to enable a return to the expansionary levels of the past. Most potential private sector investors (Liberian and foreign) are awaiting improvements in the economic picture and greater certainly on how the liberian political framework will evolve before expanding their involvement. Liberia has unexploited potential, expecially in agriculture but also in mining, although the future of the latter remains a question. It may also have potentially exploitable oil reserves, exploration for which is underway, and Liberia has considerable potential for generation of hydro-power. Given existing constraints to development, the needed restructuring will require major domestic and external resource transfers.

II. USAID Program

A. Objectives and Overall Strategy

The statements of U.S. and AID interests and objectives in Sections II. A-B of the FY 1985 CDSS remain valid and, therefore, unchanged. Similarly, the major short-term and long-term constraints identified in CDSS Section I. E still apply. In light of continued economic deterioration and the resultant prolonging of the period needed for stabilization USAID now sees the "short-term" program period extending at least through FY 1986 and maybe FY 1987.

The USAID will continue to utilize ESF and PL 480 Title I in an integrated fashion and support these efforts with appropriate DA-funded technical assistance. The Mission will coordinate these programs, their targets and conditions closely with the IMF and IBRD. Through these mechanisms, too, the USAID will continue to implement over the short term a strategy comprised of efforts 1) to reduce or eliminate GOL budget deficits, 2) to generate some surplus for productive investment or, at a minimum, to make more efficient use of existing resources, 3) to create an atmosphere more hospitable to private investment, 4) to protect Liberia's existing infrastructure from serious deterioration which might inhibit recovery and 5) to achieve, through improved donor coordination a) better prioritization of the GOL development program so as to redirect it to more productive activities and b) to increase assistance flows to Liberia.

With the approaching April 1985 transition to civilian rule USAID must also continue to support the transition process, drawing on ESF and Human Rights grants and, infrequently, on PD&S funds. Liberia should also be a key recipient of assistance from the National Endowment for Democracy. Together these funds will provide TA, budget support as necessary, and other help to enable the Special Elections Commission to institute and carry out free democratic elections for a new civilian government and to provide training and other assistance to key institutions of the new civilian regime, i.e., the legislature and judiciary.

Also during the short term the majority of the DA program will continue to support technology transfer and development of key institutions and services necessary to maintain and enhance those critical human and other resources essential if longer term growth is to resume and be sustained. In effect, this assistance will seek to enable Government to foster a critical mass of development momentum in the priority sectors of agriculture, education and health until economic conditions permit an expanded level of activity and resumption of positive economic growth.

While the focus of GOL, AID and other donor efforts must remain on the persisting economic crisis, Liberia also faces for the longer term a development transition of critical importance for the country's future. Government and donors should begin thinking now of the components and priorities of a long-term development strategy. Such a strategy should probably be in place o/a FY 1987-88, assuming economic recovery has begun and the civilian government is able to expand its development efforts. Looking ahead to the year 2000, Liberia must develop a strategy with the goal of restructuring the economy so as to broaden the base for domestic production, especially in agriculture; reduce dependence on the traditional export triad of iron ore, rubber and timber; enhance the productive capability of its populace, and build a strong private sector composed of both foreign and domestic, i.e. indigenous, investors and organizations.

Far-reaching decisions will be required regarding economic diversification, employment generation, identification and stimulation of alternative sources of growth, controlling population growth, and providing income generating opportunities while meeting basic human needs more equitably. To assist the new civilian government come to grips with these issues USAID will initiate in FY 1985 a policy dialogue with the GOL leading hopefully to a study in late FY 1985 or early FY 1986 of alternative growth strategies and identification of investment options to the end of the century. This study might provide a framework for important decisions the new civilian leaders will face and serve as a starting point for the next three five-year development plans.

The above strategy is fully consistent with and contributes to the Africa Bureau Strategic Plan which focuses: 1) on the importance of the economic policy framework; 2) on the priority to be accorded to economic stabilization; on the increased contribution which the private sector can make to African development; 3) on the necessity of donor coordination; 4) on institutional development, and 5) on the agricultural sector.

B. Stabilization Efforts

During FY 1980-83 AID provided $104 million in ESF budget support and balance of payments grants with $34.15 million planned for FY 1984 and $45 million proposed in FY 1985. Increasingly, these grants have been utilized to meet mounting external debt obligations while also assisting Government to meet IMF targets. Conditions precedent to the grants have been progressively tightened over FY 1983-84 and continue to be directly linked to IMF terms; to advancing the proposed IBRD Structural Adjustment program; to reinforcing efforts of TA advisors working on revenue generation, budgeting and expenditure control, and to encouraging improved donor coordination.

During the planning period continued high levels of assistance should be contingent upon return to civilian rule and on economic performance. The Mission will continue to direct ESF resources to areas of critical need within the budget, such as debt, and/or through provision of ESF to free up GOL resources for priority programs, such as personnel retrenchment. The Mission will utilize conditions precedent, policy dialogue, and integration of the various assistance tools available to achieve U.S. objectives. This approach is based on the fact that attainment of fiscal stability is fundamental to improved investor confidence and to the resumption of sustained growth.

Hopefully, with economic recovery beginning o/a 1986/87, ESF might then begin to decline, offset in part by rising DA. Actual timing of such a shift in program priorities will depend on future economic developments, stabilization performance, the new civilian regime, and availability of other donor resources. U.S. interests in Liberia mandate continued high levels of total economic assistance in order to achieve policy objectives. The U.S., having given such prominent support to restoring civilian rule, cannot do less for the new regime than it has for the current military government, particularly given the probable seriousness of the economic problems to be inherited by the civilian government.

Over FY 1980-84 $65 million in PL-480 Title I sales of rice have enabled Government to meet urban consumption requirements for Liberia's basic staple. Total consumption needs outstrip domestic rice production by a 2:1 margin, and the supply and price of rice remain politically sensitive issues. Self-help measures incorporated in PL-480 Agreements are designed to encourage policy reforms and foster domestic food production. The FY 1984 Agreement, signed in December, requires an expansion of domestic rice milling and warehouse capacity before the next harvest, development of an agricultural sector strategy, and a review of the continued need for two agriculture-related public corporations.

A major evaluation of the Liberia PL-480 program in July 1983 concluded, inter alia, that PL-480 imports are not an undue disincentive to domestic rice production, that counterpart funds indeed finance high priority projects, and that rice is the only appropriate commodity for PL-480 sales to Liberia. As the evaluation recommended, the GOL has established a PL-480 Coordinating Committee to improve communication and coordination within the GOL, particularly in the areas of programing counterpart funds and implementation of self-help measures. The evaluation also recommended that the USG should continue to finance rice sales through the PL-480 program.

A significant increase in rice stocks in 1983 was attributable to two years of increased harvests, some indeterminate degree of cross-border rice traffic, and heavy commercial imports (many of which were "illegal"). Consequently, depending on the 1984 harvest and clearance of the stockpile, a continuation in FY 1985 and beyond of the PL-480 rice program at past levels may not be justifiable. USAID is monitoring the stocks and production picture regularly. A reduction in the value of PL-480 assistance in the year of governmental transition would be ill-timed, although it might be offset in part by increases proposed to Congress in ESF. In that event available rice supplies would still be adequate. USAID will continue to keep under review the possibility of programming other PL 480 commodities.

Counterpart funds generated from rice sales are programed by USAID and the GOL to finance priority agriculture and rural development projects. With annual development budget levels shrinking and persistent liquidity problems, PL-480 counterpart now represents a significant proportion (25% to 30%) of domestic resources provided to the budget. Timely release of such funds and in the full amounts budgeted is being closely monitored. USAID will propose to the IMF for future Agreements and to the IBRD for the SAL that a condition or target on heightened development spending be included. Such a condition will be considered for future ESF Agreements as well.

C. Agriculture

The overall development program will remain a "second priority" until the GOL is better able to absorb and utilize these resources. Agriculture will remain the most important DA sector followed by basic education and health, in that order. Development programs, all grant funded to avoid adding to the debt burden, will continue to focus on institution building and technology transfer.

The FY 1985 CDSS describes the principal constraints to agriculture development and sets forth the Mission's sector objectives. These remain valid.

With the exception of a new project in rural roads maintenance proposed for FY 1985 (but possibly an FY 1984 "shelf item"), new agriculture activities in the short term mainly will represent "Phase II" continuations of key institution building efforts in research and training.

A Social and Institutional Profile being initiated in FY 1984 will investigate social and institutional problems affecting management of agriculture sector development. The SIP may produce recommendations for management assistance to the Ministry of Agriculture or other pertinent GOL agencies. Also, assistance to improve extension or other support systems may be proposed for FY 1986 or FY 1987, depending on availability of appropriate technical packages generated by research programs and on limited new recurrent costs associated with the assistance. Over the remainder of the CDSS period we plan to work with other donors to address as may be necessary areas such as improved input supply, development of an improved extension system, the availability of credit to smallholders and improvements in agricultural marketing.

Additional new activities for the medium and longer terms may be suggested by the Liberia 2000 study and other analytical work underway or planned. The Ministry of Agriculture, supported by advisors under the Agriculture Sector Analysis project, is to develop this year a sector strategy, pulling together findings and recommendations of several existing studies, including the 1982 "Cancun" team. If approved by Government, it will serve as the basic document for future agriculture development in Liberia.

Using PD&S funds, USAID will undertake two additional studies and a survey of repair needs for rural infrastructure. One study is a rice marketing survey to assess marketing and storage potential for locally produced rice and to recommend marketing policy issues and options. Agriculture credit will constitute an important part of an overall review of credit availability and demand. The repair needs assessment, which will also be supportive of economic stabilization objectives, will assess the extent and severity of deterioration in major physical infrastructure in virtually all of rural Liberia.

USAID believes that the above analyses combined with on-going institution building efforts in agricultural planning and at the Central Agriculture Research Institute (CARI), WARDA, the Rural Development Institute and in Nimba County will establish the groundwork for a significant long-term improvement in the agriculture sector. To impact effectively on longer-term expansion of production potential as part of the economic restructuring, both food and export crops must be considered. Technologically improved and economically viable research packages are being developed at CARI with considerable progress evident over the last year. IFAD has initiated a rice seed multiplication project to provide adequate quantities of improved seed for smallholder needs. Current demand for trained and level agricultural specialists is being met by the AID-supported Rural Development Institute.

D. Human Resources Development

The USAID strategies for developing human resource potential through assistance to the education and health sectors remain unchanged from those presented in the FY 1985 CDSS. The identification of sectoral constraints in both areas and the objectives therein remain valid.

1. Education

In the education sector three projects constitute the core of the Mission program. The Improved Efficiency of Learning (Phase I) project is to be continued and expanded through a Phase II follow-on effort which might be authorized in late FY 1984 or in FY 1985. The Liberia Opportunities Industrialization Center (LOIC) project, carried out by a PVO, will complete institutionalization of a cost-effective vocational training program. The Rural Information Systems project will establish a rural broadcasting system to make possible dissemination of development-related and marketing information, thereby supporting increased production, and also contribute to integrating rural dwellers, most of whom have little contact with their government, more closely into Liberian national life.

All three projects are consistent with the major findings and recommendations of the 1982-83 Education Sector Assessment, which highlighted the priority to be accorded to achieving greater cost efficiencies and effectiveness in basic education. Drawing on the Assessment, USAID is continuing to review options, in addition to IEL Phase II, for future education assistance which will not exacerbate Government budget problems. The Assessment indicated the need for appropriate interventions to address Liberia's difficult management deficiencies. The SIP, mentioned earlier, is USAID's response to this concern and may lead to a proposal for project assistance in FY 1985.

Barring any increase in recurrent budget resources, the only other new education activity which USAID may propose, preferably in 1985 or in FY 1986, would be a general training project. Such assistance, consistent with the recently revised AID Participant Training policy, would enable the USAID to be more responsive to requests for training in areas falling outside existing projects but which, nonetheless, reflect critical skills needs. At only $150,000 per year, Liberia's allocation under the African Manpower and Development project is inadequate. If authorized in FY 1985, the new activity might constitute one tangible sign of U.S. support for the new civilian regime.

Once economic recovery has begun and/or budget resources permit, the USAID will review options for medium-to-long-term assistance. Improving teacher qualifications, teaching of science and mathematics - especially at the primary level - and management of Ministry of Education resources might be potential areas to consider. The "Liberia 2000" study should provide guidance as should a series of short-term consultancies, possibly to be obtained from AID/W Africa Education Initiative resources, to further analyze areas where internal and external efficiencies might be instituted within currently available GOL and donor resources. Such studies might include: 1) an analysis of GOL subsidies to educational institutions; 2) a review of student flows and the internal efficiencies of the primary and secondary education systems, and 3) an assessment of the appropriateness of currently stated Government educational goals as compared to future manpower requirements and to Liberian realities.

2. Health/Family Planning

In health, the USAID will support over the short-medium term implementation of the GOL's primary health care program to provide more effective health services to a wider number of rural inhabitants. The $15 million Liberian Primary Health Care (PHC) project, which was authorized in August 1983, is central to this effort and will introduce in two remote, disadvantaged counties new and updated concepts of decentralized authority for health services, user fees, training and use of traditional health practitioners, recruitment of local health workers from the villages where they will work, and provision of basic health services. These services will emphasize safer deliveries, nutrition monitoring, immunizations, family planning, oral rehydration, breastfeeding, and malaria control. Two regional health activities - Strengthening Health Delivery Systems (soon to conclude) and Combatting Childhood Communicable Diseases - complement the PHC thrust of the USAID health strategy. These projects will constitute the entirety of Mission health interventions for the short term.

USAID currently supports seven centrally-funded family planning interventions, many including sub-projects, all aimed at underscoring for GOL officials the impact of high population growth (RAPID II Project, census assistance, proposed Pathfinder Fund assistance, and the PHC baseline survey) and also aimed at strengthening existing public and private systems for service delivery (IPPF as well as activities supported by FPIA, JHPIEGO, and the International Federation for Family Life Promotion). A well-attended RAPID presentation in March 1983 stimulated an encouraging degree of official concern about Liberia's population problems. The Mission has followed up on this new awareness by intensifying policy dialogue with appropriate officials and supporting relevant data collection efforts, e.g. the national census and the PHC project baseline survey, with the ultimate aim of encouraging adoption of a GOL population policy. In addition, under the centrally-funded Population Communication Services Project, USAID also coordinates with the World Bank in assisting the GOL to formulate a strategy for strengthening population information, education and communication activities. The Mission still believes more active efforts to expand family planning service delivery must await an improved economic and policy climate and the putting in place of a strengthened "core" health service delivery system.

In the Health/FP Sector, USAID will undertake in support of the PHC project a study of the current health logistic and supply system, a baseline community health survey, and a study to identify additional activities suitable for greater private sector involvement. The Mission will support analysis of 1984 census data and during the program planning period will identify particular FP analytical work. One projected study is commercial contraceptive marketing with the timing to be set based on evolution of the Mission's FP program.

FY 1984 should see completion of development of IEL learning materials with large-scale dissemination to Liberian schools to begin in FY 1985. TA to be provided through the PHC project should arrive during late FY 1984 or early FY 1985. Over the planning period the Mission expects to meet the following objectives in human resources development: 1) Institutionalization of an improved, cost-effective primary education system; 2) institutionalization of an improved, cost-effective vocational training program; 3) improved primary health care delivery in two counties and development of a national PHC program framework; 4) establishment of a rural broadcasting system adapted to and capable of addressing the development needs of the country, and 5) adoption of a national population policy and creation of an expanded FP service delivery system tied closely to an effective information-education program.

III. UPDATE ON PRIORITY AREAS OF AID CONCERN

A. Policy Dialogue

Because of the close, historical relationship between the United States and Liberia and the U.S. position as the primary bilateral donor, policy dialogue is a daily reality in Liberia. Recommended policy changes which affect economic stabilization efforts are encouraged through conditions precedent to ESF disbursements, the advice provided by 10 long-term advisors working with key government officials, Economic Consultative Group meetings and regular contacts with GOL officials. Over the past year progress can be illustrated by the following GOL actions:

- successful adherence to IMF standby requirements
- increased revenue collection efforts and greater security (less opportunity for corruption) in collection procedures
- initiation of a Government-wide payroll audit to weed out payroll "ghosts"
- adoption of improved budget procedures
- closure of wasteful oil refining operations and an anticipated opening of imports of POL products to the private sector
- a decision to extend the period of the existing national development plan by two years, without increasing the aggregate levels of funding. This will lead to a much-needed prioritization of GOL development projects
- adoption of improved government procurement procedures
- formation of a local donor coordinating group and efforts to set up the IGGL

Working closely with the Embassy, the IMF and the IBRD over the next year we will continue to focus this area of our policy dialogue on measures for expenditure control, revenue enhancement, improved debt management, payroll reductions, rationalization of public corporations, private sector development, donor coordination and increased development spending. In addition, over the next 18 months the "Liberia 2000" study will propose measures to restructure the Liberian economy over the medium and long terms.

The latitude and openness of the dialogue enjoyed in the past may become somewhat more circumscribed. The new civilian government may have its own agenda and will have to become knowledgeable about economic priorities and stabilization requirements. As the PRC becomes increasingly a "lame duck," its willingness to take needed steps may also be constrained. Another factor is Liberian sensitivity to the degree of U.S. influence and involvement compared to GOL desires to be "independent."

Policy dialogue in the agriculture sector is carried out in the context of PL-480 Title I "self-help" requirements, high-level visits (the Cancun Presidential Agriculture Task Force visit in November 1982), advisors in the Ministry of Agriculture (MOA) under the Agriculture Sector Analysis and Planning project, and USAID-MOA contacts. Linkages are being developed with an S&T agriculture policy "ribbon project" to augment the resources available for agriculture policy dialogue. Primary areas of concern include rice pricing and marketing, agricultural credit and limiting the role of Government while enhancing private sector activities in agriculture.

Efforts in other sectors include policy measures to implement the recommendations of joint USAID-GOL sector assessments in education and energy and the implementation in two counties of policy changes agreed upon during the negotiations of AID's Primary Health Care project (decentralization of planning and budgeting, user fees, etc.). Following a RAPID presentation on Liberia, the GOL has established an inter-ministerial committee to develop Liberia's first population policy, and USAID will continue to support these efforts through the RAPID II and other centrally-funded projects.

B. Donor Coordination

Increasing donor support and donor coordination have taken on added importance as limitations on U.S. resources, declining IMF net transfers and the increasing Liberian need for program assistance have come to the fore. Given the widely-held view that Liberia is primarily a U.S. responsibility, expectations for increases in other donor aid to Liberia over the short term, at least, are modest. Improved donor coordination, by contrast, provides a forum for Liberia and donors to agree on priorities, to maintain policy dialogue at senior levels, and to agree on more disciplined provision and use of donor resources.

The major accomplishment of the UNDP donors round table in October 1983 was general agreement on establishment of the IGGL. Based on the Dutch model in Indonesia, the U.S., as Liberia's principal donor, will jointly chair the group with the GOL while the IBRD and IMF will continue to conduct economic analyses which are to be reviewed at the IGGL meetings.

Such meetings will focus attention on broad policy and planning issues. The first meeting of the IGGL, tentatively scheduled for September 1984 after the basic elements of the IBRD's Structural Adjustment Loan have been firmly established, will review a prioritized and more realistic GOL investment program (an FY 1984 ESF condition precedent). Meaningful GOL policy initiatives regarding expenditure controls and divestiture of public enterprise are part of the proposed SAL.

C. Institutional Development

A primary thrust of USAID/Liberia's DA program will continue to be institutional development. The Mission in all such projects continues its efforts to keep associated recurrent costs to a minimum. As discussed above, the Mission will continue to support agricultural institutions responsible for planning, research and training. Working closely with the World Bank, the proposed IEL II project will make cost-effective primary school programed learning materials available nation-wide and will establish the management structure necessary to improve educational supervision in the primary schools. The PHC project will strengthen the Ministry of Health's institutional capacity at the central level and in two project-assisted counties. With central and regional project funding the Mission will assist the GOL in the establishment of a permanent National Energy Commission replacing a National Energy Committee which presently uses staff borrowed from several ministries and has limited formal authority concerning energy policies and projects.

D. Private Sector

A joint USAID-Embassy-Peace Corps-USIA private sector working group developed in early 1983 the first (reportedly) comprehensive USG private sector strategy in Africa. The strategy encompasses indigenous private sector development (USAID responsibility) and increased U.S. foreign investment in Liberia (Embassy responsibility). Mission activities to date include completion in 1982 of a Private Sector Assessment project, assistance to the Small Enterprise Financing Organization (SEFO) through a proposed five-year grant to Partnership for Productivity, a consultancy to review the draft Liberian Investment Incentive Code and the allocation of PL-480 Title I proceeds to SEFO and the Agricultural Cooperative and Development Bank for loans to Liberian entrepreneurs. Future efforts being considered include a study of formal and informal credit systems in Liberia and provision of funds to SEFO or the Liberian Bank for Development and Industry to carry out investment feasibility studies in priority sectors.

Several DA projects also have private sector components. The ongoing Nimba County Rural Technology project provides, inter alia, advisory services and credit to small entrepreneurs. USAID's proposed Rural Road Maintenance project (complimenting a new IBRD project) will provide funding for private sector regraveling contracts. The PHC activity includes funds for a study to access the feasibility of greater private sector involvement in the health sector. Other potential areas include expanded delivery of services; pharmaceutical manufacture, supply and distribution; auxilliary health services and training, and contraceptive marketing. Graduates from the Liberian Opportunities Industrialization Center (LOIC) project are largely employed by the private sector, which also provides limited financial contributions to LOIC. Also, USAID is working with a local PVO (the Liberian Development Foundation) to assist its establishmnt and its initiation of development activities. Few U.S. or other PVO's operate in Liberia, and the Mission would like to see such private sector involvement expanded here.

E. Technology Transfer and Research

Due to the modest-to-poor level of Liberian manpower skills, many USAID projects have been designed to transfer relatively unsophisticated technologies. One example is the IEL project where programed learning materials have been developed for use by untrained or under-trained primary school teachers. These materials are simple but effective and can be used by untrained teachers (and students when teachers are absent).

More sophisticated technology is being transferred via CARI and the Rural Information Systems project. The former supports adaptive research in Liberia and fosters research linkages with international research institutes, such as IITA, CIMMYT and IRRI. The proposed second phase of AID support to CARI will expand farming systems research and on-farm trials. The Rural Information Systems project, which is establishing four rural radio stations along with a Central Programing Unit, provides training in state-of-the-art radio programing, broadcasting, and equipment and station maintenance.

Finally, USAID efforts in energy include studies to assess the viability of introducing wood gasification technology in Liberia (which has a solid base of wood resources) and determining the economic and technical feasibility of using wood for rural electrification.

IV. RESOURCE REQUIREMENTS

Based on considerations outlined above, the Mission projects the following AID bilateral economic assistance requirements ($000) during the period covered by this CDSS update:

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
ESF	34.2	45.0	45.0	40.0	25.0	10.0
PL-480, I	15.0	16.0	13.0	10.0	10.0	-
DA	12.0	14.5	15.0	20.0	25.0	30.0

As previously indicated, PL-480 Title I projections for FY 1985 are tentative and may be revised in light of actual domestic rice availabilities and the possibility of programming other commodities.

Regarding DA, the new government should develop early on a development program for which it will seek donor assistance. The Mission conservatively projects a doubling in the DA level during FY 1985-89, but this could change based on the pace of economic recovery, the outcome of various USAID studies, the GOL's development package and priorities, and other donor programs. To facilitate incorporation of new activities into future year OYB's, over FY 1984-85 DA funds will be used as much as possible to fully fund ongoing projects.

The above projections do not take into account other resources which may become available to Liberia through the recently announced Economic Policy Initiative for Africa. Based on the USAID's current understanding of proposed uses and target countries for EPI, on Liberia's priority needs for ESF resources for stabilization purposes, and on the constraints to new development activities posed by GOL budget limitations, we anticipate that Liberia may not become an EPI candidate in the near future. Once some degree of recovery has begun and the civilian government's program and policies are known, Liberia could utilize EPI grants. One possible area for using the EPI is to maintain Liberia's deteriorating basic infrastructure, especially in rural areas, and thereby to maintain or increase its capacity to market and export various commodities. USAID needs to explore further whether such capital projects can be meaningfully linked to policy reform.

TABLE III

USAID/Liberia

DA FUNDING REQUIREMENTS - ON-GOING PROJECTS

($000)

NO	TITLE	ACTUAL FY 1983	FY 1984	FY 1985	-----PLANNING PERIOD----- 1986	1987	1988	1989
	AGRIC, RURAL DEV & NUTRITION							
134	RURAL INFO. SYSTEMS (G)	525	1000	901	0	0	0	0
134	RURAL INFO. SYSTEMS (L)	1700	0	0	0	0	0	0
137	AGRIC SECTOR ANALYSIS	100	1600	0	0	0	0	0
153	RURAL DEV TRAINING (OPG)	975	850	0	0	0	0	0
185	RURAL DEV TRAINING II (OPG)	0	0	1500	1100	1000	700	0
163	NIMBA CO. RURAL TECH. (OPG)	700	700	749	0	0	0	0
188	AGRIC RESEARCH & EXTENSION	0	3180	1626	2660	2230	1990	2150
200	ROAD MAINTENANCE	0	0	1000	2200	0	0	0
	APPROPRIATION TOTAL	4000	7330	5776	5960	3230	2690	2150
	POPULATION PLANNING							
165	PRIMARY HEALTH CARE	300	0	0	0	0	0	0
	APPROPRIATION TOTAL	300	0	0	0	0	0	0
	HEALTH							
165	PRIMARY HEALTH CARE	3500	1342	3000	3500	3358	0	0
	APPROPRIATION TOTAL	3500	1342	3000	3500	3358	0	0
	EDUCATION AND HUMAN RESOURCES							
130	IMPROVED EFFIC OF LEARN I	1000	1000	0	0	0	0	0
166	IMPROVED EFFIC OF LEARN II	0	0	1500	2000	3500	0	0
184	ECON AND FIN MGT & TRNG	1000	825	1175	0	0	0	0
198	MANAGEMENT IMPROVEMENT	0	0	800	1200	1500	1500	0
199	LIBERIA DEV. FOUND. (OPG)	0	470	0	0	0	0	0
	APPROPRIATION TOTAL	2000	2295	3475	3200	5000	1500	0
	SPECIAL DEV ACTIVITIES							
132	INCREASED REV FOR DEVELOP.	3000	500 1/	1483	0	0	0	0
201	SMALL & MED ENT DEV (OPG)	0	500	750	807	807	0	0
	APPROPRIATION TOTAL	3000	1000	2233	807	807	0	0
	TOTAL DA	12800	11967	14484	13467	12395	4190	2150

1/ Figure subject to upward revision.

V. MANAGEMENT STEPS REQUIRED TO ACCOMPLISH ACHIEVEMENTS

USAID underwent a Management Assessment in early 1983. Its recommendations focused inter alia on a) reorganization of the Mission, b) modification of staffing requirements to reflect program priorities, c) Liberianization, d) revised procurement and warehousing systems, e) office automation and f) introduction to revised project accounting procedures. The reorganization has been completed, consolidating nine offices into seven and simplifying lines of authority and supervision. The USAID has bolstered its economic analysis capacity by hiring an FSN economist, requesting an IDI economist, and replacing an agriculture project manager with an agriculture economist. Word processing and micro-computer equipment have arrived and will soon be installed, and USAID has begun training personnel in their use. Progress so far in formulating and implementing a Liberianization plan has fallen short, and there is considerable work still to do in the warehousing and procurement areas. A PSC spent three months training Controller personnel in AID's new project accounting system, which is now in place.

Continued attention will be required to upgrading staff and retaining capable U.S. and local personnel. Liberia is a 25% "hardship" post; therefore, it is not only difficult to attract USDH staff, they are not obligated to remain more than one tour, thus creating annual staff turnover of up to 50%. The Mission will continue to seek ways to identify and recruit capable USDH personnel and to encourage them to stay beyond one tour. Where possible, we will try to use former IDI's, trained at post, to fill regular positions.

However, to achieve program and management objectives it is critical that the Mission not experience prolonged vacancies in key positions as we have since last fall (Program Economist and Agriculture Development Officer). Given the nature and complexity of the Liberia aid program and its priority for the USG, it is essential that these two slots be filled immediately. Looking ahead to the next, i.e. the third, open assignments cycle, several critical positions will open - Deputy Director, Deputy Executive Officer, GSO, Executive Assistant, two project design officers, the PHC project officer, and possibly two agriculture positions and the Program Officer.

The USAID DH workforce level was increased by one to 22 for FY 1985. This most welcome addition will be used to retain a second officer in either the Education or Health Division, where two positions had been eliminated due to a reduced FY 1984 workforce level. To supplement USDH staff we continue to explore Joint Career Corps and PSC's as alternative staff resources. Given the large number of studies proposed and current workload, the USAID may need to recruit in FY 1985 a contractor to coordinate them, possibly a sociologist/anthropologist or economist. But for USAID to continue to carry out its program management responsibilities while possibly expanding the DA program during the program planning period, USDH staff cannot be reduced below current authorized levels. Similarly, sufficient OE budget resources must be provided to cover all requirements for USDH assigned to Monrovia under the Mission's and related AID/W ceilings (for example, for IDI's and the WARDA project officer).

Finally, the Mission very much appreciates the greatly improved backstopping received from AFR/CWA, AFR/EMS, and others over the last 18 months. The response time to Mission proposals has overall been quite good. One area needing improvement, however, is in regard to policy dialogue and/or private sector initiatives; for example, advisors requested last August to help review/revise the new investment code only arrived in mid-March. Such lengthy delays create conditions whereby the GOL might go ahead on its own, costing USAID a critical opportunity to exert influence on Government thinking on significant issues.