

*Jack, Peter, Eric*

*file* memorandum

DATE:  
REPLY TO  
ATTN DF:

March 19, 1982  
*Amy U. Nolan*  
Amy U. NOLAN, Regional Housing Officer, RHUDO/WA

*PD-AAA-600*  
*ISN-47851*

SUBJECT:

LIBERIA Low Income Housing Project  
G 669-0146; G 669-0167/HG 002  
TRIP REPORT : 19-26 February 1982

TO:

The files

I. PURPOSE

Routine project review and implementation assistance and orientation/interviewing PSC candidate, Robert B. Hackman.

II. PERSONS CONTACTED

N.H.A.

Jacob Dogbeh                      Director  
Theodore Dunbar                  Deputy Director  
Luis Maldonado-Perez          TA team leader

FINANCE DEPT

James Sarkor,                      Controller  
Nerida Delgado,                  TA Team, Financial Advisor

PLANNING AND RESEARCH DEPT

Roderick Lewis,                  Chief  
Stanley Harris,                  Staff Coordinator  
Benedict Jackson,              Beneficiary Processing  
Zelda Uttah,                      PCV Community Development  
Lynn Uttah,                      PCV Architect  
Luis Gonzalez-Rodriguez,      TA Team socio-econ advisor

OPERATIONS DEPT

Ben O'Connor,                  Construction Manager  
Willard Eastman,              PCV Architect (NGW Project Management)  
Manuel Nazario-Bey,          TA Team Construction Advisor

NHSB

Miata Beysolow,              Vice President Credit  
Alvin Eastman,                  Vice President Credit  
Sam Green,                      Director Research

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Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

NIC (National Investment Commission)

D.L. Maxwell Kaba, Director Small & Medium Business Program  
Anthony Togba, AID Small business loan project  
Teetee Liles Weisel,  
Francis Clarke

US Embassy

William C. Mithoefer, Political Counselor  
Bonny Lincoln, Economic Counselor

USAID

Remo Ray Garufi, Director  
Fred Hagel, Acting Project Officer  
Raphael Zelaya, Deputy Controller  
Isaac Roberts, Financial Analyst  
Curt Wolters, Economic Officer

III. ACTIVITIES

The TDY included general project assistance February 19-26 and interviewing by USAID and NHA of PSC Hackman. Hackman was accompanied by RHUDO Chief, Lippe, during 25-26 Feb. and remained on in Liberia through 3 March.

A. Economic Briefing

RHO Nolan attended a general economic briefing at the Embassy as well as meeting separately with the Economic Counselor Bonny Lincoln to get her views on the government's ability to contract a HG loan and in what amount. These discussions and recent economic reports confirm that the country is in the midst of a deepening economic crisis with collapse stemmed only by regular budgetary support grants (ESF) from the US Govt, and balance of payments financing from the International Monetary Fund. Details of the economic picture are available in the Economic Trends Report Liberia, January 1982, prepared by the US Embassy and the Report of the Committee to Review The Present Economic Situation in Liberia, November 30, 1981, a particularly candid discussion prepared by a PRC appointed committee representing a cross section of representatives from government, industry and banks.

The Econ counselor's views (also supported by the AID Econ Officer and others close to the situation) suggest little hope for much improvement before 3 to 5 years. She indicated the Embassy would not support GOL borrowing a 10 M.HG loan; if anything she thought the GOL might handle no more than a \$400-500,000 increase in annual debt service. She emphasized importance of loan being truly self-financing such that cost recovery on grant and loan funds would be more

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than sufficient to meet debt service obligation with no GOL financial outlay.

A sufficient problem raised by Lincoln and later by Garufi is difficulty of NHSB to transfer payments abroad for loan repayment. Having no significant off shore receipts, it depends on the National Bank which is blocking or diverting funds from overseas transfer based on other critical domestic needs. Since the "coup", GOL has experienced a substantial flight of capital out of the country or held privately out of formal banking channels such that the deposit base of banks has shrunk by 2/3rds pre-coup level.

#### B. HG Borrowing

A meeting was held between NHSB, USAID and RHUDO to discuss size and timing of a HG borrowing. Both Garufi and NHSB Beyselow are holding out for 10 million loan. NHSB made it clear that with current interest rate a 16 to 17% and domestic lending fixed at 12%, expected reflows from a 5M grant/10M HG would fall short of debt service obligations. This would necessitate an investment subsidy estimated at 1 to 1,5 million received by year 3 of a HG loan and invested over the term of the loan. The discussion clarified fact that ESF could not be made available in hard cash to NHSB for this purpose. Garufi suggested reallocation of project funds to increase components with higher cost recovery potential (e.g. small loans, core units) and to raise grant to HG loan ratio, he asked NHSB to prepare new cash flows on this basis to determine how much additional grant funding would be necessary to bring in sufficient reflows to support LOM HG loan. RHUDO questioned NHA capacity to take down LOM in a reasonable period of time. Instead RHUDO recommended that while authorization could be maintained at LOM, the first loan should be reduced to about 3M which would eliminate a reflows problem, minimize risk during a difficult economic period in Liberia and also present a project sized more realistically to NHA capacity. Garufi for USAID maintained, however, his position preferring a LOM HG. He indicated a willingness to tranche loan but not reduce it.

#### C. Personal Services Contract Position

The scope of work for the PSC position was reviewed with USAID. The only significant change was to add a condition that the contractor spend at least 50% of his time working in GOL institutions, particularly NHSB and NHA. PSC candidate Robert B. Hackman was interviewed by USAID and NHA Director Dogbeh and was accepted to fill the position of housing officer in USAID/L. Hackman was told he would be expected to assume the maximum responsibilities possible as AID's representative on shelter matters within

the prescribed limits for AID's use of contractors.

#### D. Comprehensive Program Overview

The scope of work for the program overview was reviewed by USAID and accepted with no significant change. The team will be fielded in March. The visit by Clapp and Mayne TA team manager Silva was postponed to be rescheduled following completion of the program overview and review of recommendations for future program TA.

#### E. Highlights of Project Implementation Issues

##### 1. NHA/NHSB Institutional Sub-Agreement

It is apparent that there are a number of areas of both conflicting and mutual interest between NHSB and NHA regarding beneficiary processing, land control and funds control which need definition and mutual agreement between the institutions in order to proceed with project implementation. The PROAG (section 6.05) provides for inter governmental agreements or understandings to define respective responsibilities and to facilitate transfer of funds between institutions, but none exists to date, except for the cost recovery agreement between NHA and the Ministry of Education. NHA Director Dogbeh was encouraged by RHUDO to undertake this exercise with the NHSB.

##### 2. Beneficiary Income Qualification and Monrovia Monthly Median Urban Income

The Monrovia median urban income was established by the PP in 1979 (June) at \$ 125 gross income per month. The PROAG signed in September 1979 reestablished the level at \$ 150 per month. The April 1980 "coup" brought with it a significant increase (doubling, in some cases tripling) in Gov't and military salaries. This prompted NHA to request an increase in the urban-median income figure to \$ 228.00/month for 1982 (Dogbeh/Garufi letter June 19, 1981), a figure based really only on a 15% year inflation factor over the \$ 150/M 1979 figure. While the \$ 228.00 figure was accepted by USAID and RHUDO, RHUDO has recommended that the figure be verified and updated as necessary, using locally available statistical and survey data.

Apparently, the NHA has incorrectly interpreted the \$228.00 figure to be a net income figure and thus has been using a gross income figure of \$ 250.00/month to qualify project applicants. In addition, NHA has been approving up to 10% applicants above-income based on an

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early decision between USAID/NHA to do so when initial response in terms of qualifying applicants was slim. RHUDO urged NHA to adhere to project income qualification criteria since there is no longer a lack of qualifying applicants, and to income qualify only applicants earning below \$ 228.00 gross income/month.

RHO will pursue possibility during next TDY of securing, locally, TA to undertake urban median income verification exercise after which the PROAG will be officially amended.

### 3. Project Costing Exercise For Project Delivery Plans NGW and WPU and NGW Sales Plan

The costing exercise on WPU is essentially done and data can be used to prepare current PDP and Cost recovery plan. The PDP will reflect as built costs and completion dates for those components inspected and approved by AID. For other unfinished components, a construction schedule, budget and cash flow should be provided.

NHA has identified total project expenditures in NGW, which figures must still be reconciled with USAID figures. As for a construction budget to finish NGW Sector I and II, NHA has finalized a plot layout for Sector I and II and can now do utility layouts and general cost projections. Preparation of a PDP should follow this.

In a session with NHA and NHSB representative, RHUDO recommended that the original core unit with serviced plot cost estimate of \$ 3700 be used for the first 100 core units, specially since the NHSB has qualified and processed the applicants based on this loan amount. Subsequent sales of units should be based on actual construction costs and the division between direct and indirect cost recovery of these costs.

### 4. NHA Training Program

RHUDO has asked the TA team to investigate opportunities for upgrading NHA Staff skills at all levels through the use of local training institutes and programs. If local training resources are sufficient, the TA team will assist NHA to develop a staff training program which would be funded through O167 grant funds earmarked for training.

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## 5. Small Business Loan Sub-Project

RHUDO held two meetings with NIC to clarify problems encountered implementing this sub-project. The second meeting held on February 23rd and attended by representatives of NIC, USAID, RHUDO and representative of the NHA TA team resulted in mutual agreement on steps to be taken to resolve some outstanding subproject issues :

- a. project files in NIC and USAID show no binding agreement between USAID and NIC or NIC and NHSB to pay for services rendered and partially paid for by USAID. Parties agreed that NHSB would draw up an official contract between NHSB and NIC stating services to be rendered and compensation. Files have adequate info to reconstruct sow and budget;
- b. the system for receiving/liquidating advances between NHSB and USAID had broken down at the USAID end although NHSB had submitted adequate documentation. Deputy Controller agreed to process outstanding advance requests upon receipt of TA team financial advisor Delgado's summary status report on small loan sub-project;
- c. USAID agreed to process PROAG amendment to make official the \$ 7000 ceiling for small business loans and to add language to permit exceptions to be made for loans of greater magnitude upon agreement of AID.

## IV. MISCELLANEOUS

### EIGHTH AFRICA HOUSING CONFERENCE

NHA Director Dogbeh has accepted to prepare a presentation and lead a discussion on "organizing for training within a housing institution".

## V. ACTIONS TO BE TAKEN

### NHA/TA Team

1. Develop institutional sub-agreement with NHSB to clarify banking and use of reflows, land control and transfer of title processing and any other area of project implementation needing mutual agreement between the two institutions.

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2. Develop with TA team assistance staff training plan using locally available training institutes and programs.
3. Prepare project delivery plan (construction budget, schedule and cash flow for outstanding components in West Point, Phase I. Also provide as built costs and completion dates for those components already completed.
4. Prepare cost recovery plan for all WPU components.
5. Finish cost projections NGW sectors I and II (including land purchase, infrastructure, superstructure costs and NHA overhead) and use information to prepare Project Delivery Plan and to complete NGW Sales Plan (last draft 14 October 1981).
6. Finalize and submit to USAID/L status report on small business loan sub-project prepared by TA team financial advisor, Delgado.
7. Prepare discussion paper to present to discussion group: "Organizing For Training" at 8th Africa Housing Conference. Paper must be received in Abidjan, RHUDO/WA by not later than May 1 to be translated and copied.

NHSB

1. Cooperate with NHA in preparation of inter-institutional sub-agreement as noted above.
2. Prepare and execute contract (scope of work and budget) between NHSB and NIC and acceptable to AID for responsibilities undertaken by NIC in the implementation of the small business loan sub-project.

RHUDO

1. Initiate contracting process with PRE/H and REDSO/CO to secure services of PSC Robert B. Hackman.
2. Schedule definitively March field mission for Program Overview team.

USAID/L

1. Prepare PROAG Amendment to raise ceiling on small business loans to \$ 7,000 with language permitting exceptions to be made above this amount upon agreement of AID.
2. Process latest NHSB request for advance on small business loan sub-project based on documentation submitted and Delgado summary report on sub-project loans.

cc: - Mann, AID/W  
- Hagel, USAID/L  
- Perez, NHA TA Team