

ACTION PLAN
1987-1988
LIBERIA
Section A: A Strategy Recap

BEST AVAILABLE

USAID/Liberia
FY 1987/1988 Action Plan
SECTION A: STRATEGY RECAP

The time frame covered by this Action Plan coincides with a period of transition for the Mission as we attempt to influence the policy directions of the new Government through an evolving assistance strategy that will be characterized by more rigorous ESF assistance conditionality and alternative uses of ESF resources. Over the recent past ESF was used exclusively for external debt servicing purposes.

The Mission believes that the combination of more rigorous conditionality and alternative uses of ESF may increase the policy impact of our resources and may demonstrate U.S. resolve to Liberia and the donor community, which sees Liberia as largely an American problem.

The evolving strategy will also attempt to increase resource flows to the for profit private sector and to non-government organizations (mostly sectarian) which provide approximately 30% of Liberia's education, health and community development services.

Recently announced policy and structural adjustment reforms adopted partially in response to intensified U.S. policy dialogue efforts, if implemented properly, may begin to chart a new course for Government finances and the economy.

The Mission plans to use its ESF, PL 480 Title I, and DA resources in an integrated manner to encourage the GOL to stay on the difficult course of policy reform and to maintain selective infrastructure considered essential to economic stabilization efforts.

Operational objectives for the FY 1986/87/88 period include 1) intensifying the Mission's policy dialogue with the Government, (2) establishing a specific policy dialogue and structural adjustment agenda with appropriate benchmarks and target dates for monitoring GOL compliance, (3) restructuring the Mission's development assistance portfolio to eliminate or redesign projects no longer relevant to or implementable under Liberia's crisis conditions, and (4) encouraging other major donors to provide more of the technical and financial resources needed for the economic stabilization effort.

The Action Plan follows the modified AID/W guidelines contained in State 125532, and consists of (1) a self-appraisal of our success in achieving previously articulated operational objectives, (2) a Forward Plan focusing on intermediate steps that will be required to translate the themes contained in the Concepts Paper and AID/W guidance into a working strategy, and (3) a Policy Dialogue Plan that summarizes an illustrative list of policy issues we hope to focus on for the remainder of FY 1986 and for the FY 1987 and 1988 period that will be covered by the Country Development Strategy Statement.

SELF APPRAISAL
SECTION B

OBJECTIVE #1 ECONOMIC AND FISCAL STABILIZATION AND RECOVERY

A. Economic and Fiscal Reform

1. Reduce the GOL payroll from \$115 million in GOL Budget Year 84/85 to \$110 million in GOL Budget Year 85/86: Not achieved.
2. Prepare expenditure control and revenue enhancement plan and maximize GOL contributions to blocked offshore account: Not achieved.
3. Allocate PL 480 counterpart funds for priority development projects: Irregularly and sporadically achieved.
4. Disburse FY 1985 ESF for GOL debt service obligations: Achieved.
5. Increase revenues through various technical interventions and reforms: Achieved, but offset by extrabudgetary expenditures and other leakages.
6. Complete installation of automated payroll system for all ministries: Partially achieved. System to be completed by June 1986.
7. Implement a revised accounting system: Partially achieved. Implementation behind schedule.

8. Extend and or expand revenue enhancement and financial management advisory assistance. Being reexamined in light of recent developments. The placement of expatriates in operational positions is receiving new emphasis.

B. Increase Investor Confidence & Private Sector Investment

1. Support Small Enterprise Financing Organization (SEFO) with DA and PL 480 Title I contributions: Achieved.
2. Assist Liberian entrepreneurs through the Liberian Bank for Development and Investment: Not achieved due to political and management problems. Alternate mechanisms being considered.

C. Donor Coordination

1. Consult with the IMF and World Bank and use ESF to encourage GOL compliance with performance targets: Partially achieved. GOL failed to comply with performance targets.
2. Prepare for the first meeting of the Inter-Governmental Group for Liberia in September, 1985: Not achieved - IGGL never met because of poor GOL stabilization performance.
3. Encourage meetings of Monrovia Donors Group: Partially achieved. Steering Group meeting held but no plans laid for larger meetings because of poor GOL performance.
4. Encourage African Development Bank and other donor budget support for GOL: Not achieved in absence of GOL policy reforms and continuing debt arrears.

D. Management Steps

Consider transferring management of Increased Revenue and Economic and Financial Management and Training projects to the Economic Office to improve coordination between ESF and project objectives: Improved coordination achieved.
Transfer still under consideration.

OBJECTIVE #2 MAINTAIN PHYSICAL INFRASTRUCTURE

A. Maintain Basic Road Network

1. Authorize Road Maintenance Project and initiate road rehabilitation activities: Achieved. Construction scheduled to begin in November, 1986.

B. Encourage GOL and Other Donor Funding to Maintain Basic Infrastructure

1. Encourage finalization of Monrovia Port rehabilitation and expatriate management package: Partially achieved. The European Economic Commission will finance management but rehabilitation financing not yet finalized.
2. Urge finalization of hydro-electric rehabilitation and expansion program: Not achieved. Discussions between GOL and AFDB continuing.
3. Discourage public sector construction through the use of ESF covenants: Partially achieved. GOL initially ignored covenants, but in January 1986, ordered suspension of construction projects.

C. Management Steps

1. Fill vacant FSN Engineer position. Achieved.

OBJECTIVE #3: INCREASE FOOD PRODUCTION AND AGRICULTURAL PRODUCTIVITY

A. Adoption of Appropriate Agricultural Policies and Programs

1. Encourage follow-up to National Agricultural Policy Seminar. Partially achieved: Draft national agriculture policy statement prepared but not yet reviewed by GOL.
2. Formulate adaptive agricultural research program linked to extension: Not achieved due to GCL leadership, and commitment/support problems.

B. Build Self-Sustaining Agricultural Institutions

1. Improve capacity of the Rural Development Institute: Partially achieved. Long term training and construction/renovation in process.
2. Authorize a Phase II Agriculture Sector and Analysis and Planning Project: Not achieved. Mission reconsidering whether to proceed with project.
3. Improve capacity of the Central Agricultural Research Institute: Partially achieved. Training, technical assistance and facility improvements under way. Project subject of intensive review which will decide its future.
4. Allocate PL 480 funds to support these institutions: Partially achieved due to irregular or delayed PL-480 disbursements from the special account.

C. Encourage Greater Participation by Farmers in the Development Process

1. Establish a Farming Systems Research Program to ensure farmer participation in research: Not achieved due to lack of qualified Liberian personnel.
2. Design project to improve on-farm storage and efficiency of the marketing system: Not achieved. Project no longer appropriate.
3. Extend private sector-focused Nimba County Rural Technology Project for two years: Achieved.

OBJECTIVE #4: HUMAN RESOURCES DEVELOPMENT

A. Implement Cost-Effective Means of Providing Improved Basic Education

1. Authorize and begin implementation of the Improved Efficiency of Learning II Project: Achieved. Project under intensive review. Future to be determined.
2. Support implementation of selected Education Sector Assessment recommendations: Not achieved. Assessment update to be conducted during FY 1987.

B. Contribute to Increased Rural Welfare and Productivity Through the Use of Radio

1. Complete construction of selected facilities and begin broadcasting by August 1986: Achieved.

C. Management Steps

1. Acquire PSC education advisor: Achieved.
2. Determine best location for USAID Training Office: Achieved. To remain in the Program Office.

OBJECTIVE # 5: HEALTH/POPULATION

A. Strengthen the Institutional Infrastructure and Capability of the MH&SW

1. Implement the Primary Health Care (PHC) Project: Achieved.
2. Implement the approved recommendations of the drug procurement and distribution system study: Achieved.
3. Implement decentralized budgeting/financing/management systems and fee for service scheme: Partially achieved. Fee-for-service plan developed but implementation delayed because of November 1985 political disruption.
4. Implement health worker training programs: Not achieved. Training to begin in October, 1986.

B. Increase the Proportion of the Population of Grand Gedeh and Sinoe Counties with Access to Basic Primary Health Care Services

1. Accelerate primary health care orientation and training for county leaders, health workers: Achieved.
2. Adopt training and supervision program for village development councils and village health workers. Not achieved. Will be emphasized under Primary Health Care Project redesign.

3. Establish a self-financing village pharmacy program. Not achieved. Delayed until mid-1987.
4. Construct health posts, centers and other buildings: Partially achieved. GOL resources not provided in timely fashion. Construction schedule being revised and scaled back.

C. Expand Delivery of CCCD Interventions by Strengthening Existing Health Infrastructure in a Majority of Liberia Counties

1. Implement CCCD project: Achieved.
2. Procure project commodities in a timely fashion: Achieved.
3. Adopt fee-for-service system: Not achieved. Revised timetable expected shortly.
4. Expand CCCD assistance to four counties and one territory. Achieved.

D. Encourage GOL Policy Commitment to Family Planning Programs and Strengthen Public and Private Service Delivery Systems

1. Continue new Population Policy and Awareness activity: Not achieved due to disruption caused by 1985 coup attempt.
2. Use central resources to strengthen GOL and private family planning delivery. Achieved.
3. Prepare FY 1987 bilateral Population/Family Planning Project: Not achieved. Project postponed indefinitely.

E. Management Steps

- Hire replacement Personal Services Contractor: Achieved.

FORWARD PLAN
SECTION C

As proposed in the Concepts Paper and recently confirmed in State 125532, for the next few months, the Mission will concentrate on completing the following transitional activities before undertaking the preparation of an interim CDSS for the 1988-1993 period:

- Sensitize the Government to the prospects of reduced economic assistance levels within the context of Gramm-Rudman, Senate and House concern over political developments and the lack of past success in getting the GOL's financial and managerial framework in order.
- Conduct a comprehensive survey of Liberia's Non-Government Organizations (NGO's) to establish the scope and impact of their overall operations and to identify their financial, managerial and absorptive constraints as potential recipients of U.S. economic assistance.
- Initiate a comprehensive review of the Mission's project portfolio (currently DA-financed) to determine the impact that the declining economy and the Government's financial crisis is having on implementation, establish which projects continue to make sense under prevailing economic realities, and identify those that need to be redesigned or redirected or possibly dropped from the portfolio.
- Identify the most promising mechanisms for maintaining the viability of selected productive and social infrastructure without increasing the in-kind support or recurrent expenditure costs to the Government.
- Identify specific targets for AID assistance during the next CDSS period within the framework of adequate accountability for U.S. funds and Mission administrative constraints.
- Evaluate rice supply and demand factors and the best role for PL 480 Title I assistance from the standpoint of stabilization and development needs and potential shortages of foreign exchange for commercial purchases that are certain to develop as the liquidity crisis continues to get worse.

- Explore alternative project methodologies such as local cost versus foreign financing, local versus overseas training, and local versus imported procurement to maximize the positive domestic impact of AID projects.

We expect that the CDSS will incorporate the salient features of both a Strategy Statement and an Action Plan, given the transitional nature of the document and the uncertainty surrounding the GOL policy reform commitment. The following general objectives will be pursued during the transition period:

OBJECTIVE #1: ECONOMIC AND FISCAL REFORM

- Support budget, revenue collection, and expenditure control reforms through existing and or new initiatives.
- Encourage GOL adherence to the stringent budget announced for the latter half of FY 1985/86, and adoption of an austerity budget for FY 1986/1987.
- Encourage the GOL to prioritize its critical external debt and to maximize offshore resources available for debt servicing.
- Bring new GOL accounting system on line.
- In consultation with the IMF, support GOL efforts to deal with monetary policy issues.
- Complete automated payroll system for all ministries.
- Recruit U.S. PSC economic advisor.

OBJECTIVE # 2: PRIVATE SECTOR DEVELOPMENT

- Support ongoing private sector development activities.
- Support non-government organizations providing essential health, education and community development services.
- Identify other potential private sector interventions.
- Recruit PSC private sector/non-government organization/private voluntary organization advisor.

OBJECTIVE #3 ENHANCED DONOR COORDINATION/COLLABORATION

- Work with other donors to maximize domestic impact of their assistance.
- Encourage and support the continuation of other donor activities.

OBJECTIVE #4: MAINTAIN PHYSICAL INFRASTRUCTURE

- Continue road rehabilitation under existing project.
- Identify critical additional road segments for rehabilitation.
- Identify other potential infrastructure interventions compatible with the Mission's evolving assistance strategy.
- Encourage greater use of private sector contractors in infrastructure maintenance activities.

OBJECTIVE #5: INCREASE FOOD PRODUCTION AND AGRICULTURAL PRODUCTIVITY

- Encourage GOL to address draft agriculture sector policy statement.
- Emphasize the adoption and implementation of production related self-help measures as part of the PL 480 program.
- Evaluate rice supply and demand factors and the best role for PL 480 Title I assistance in light of Liberia's pressing economic problems.
- Complete evaluation of Agriculture Research and Extension II Project and take appropriate follow-up action.

OBJECTIVE #6: HUMAN RESOURCE DEVELOPMENT

- Freeze implementation of the Improved Efficiency of Learning II Project pending outcome of project reassessment.

- Develop a new Five-Year Education Plan based on realistic support expectations and findings of updated sector assessment.
- Complete construction of Rural Information System and consider extending the project for two years, as recommended in the March 1986 evaluation.

OBJECTIVE #7: HEALTH/FAMILY PLANNING

- Pursue revised goals (including fee/service system) under the Primary Health Care Project.
- Implement CCCD activities based on 2/86 evaluation.
- Use central/regional funding sources to support GOL and private agency family planning delivery.
- Incorporate family planning services into the health delivery systems of Sinoe and Grand Gedeh Counties.

POLICY DIALOGUE PLAN
SECTION D

Since 1980, little lasting GOL progress has been made in the policy reform arena. The World Bank and the IMF were, until recently, pursuing economic, fiscal and structural adjustment reforms with the Government through a proposed \$35 million Structural Adjustment Credit that never materialized because of debt servicing arrears, and an IMF standby agreement that was suspended on December 31, 1984, as a result of non-compliance with standby targets and debt servicing arrears.

As a result of these arrears, financial assistance from the IMF has come to a standstill and World Bank project implementation momentum has experienced serious setbacks due to the suspension of disbursements triggered by debt arrears.

While disbursements and new financial assistance from these agencies has either been suspended or terminated, they continue to be able to provide technical assistance for a variety of purposes. Under these conditions, the U.S. has temporarily assumed the role of the principal policy dialogue player because it is the only donor in a position to offer the GOL a quid pro quo (when not subject to Brooke sanctions) for policy reforms. Prior policy reform efforts had less than a lasting impact for a variety of reasons, not the least of which was the U.S. proclivity to rationalize policy reform shortfalls for political and strategic reasons.

During mid April 1986, a high level U.S. Government delegation met with a number of key GOL policy makers, including the President, to again emphasize the need for the introduction of and compliance with major policy reform measures and to discuss various conditions that would have to be met before FY 1986 ESF resources (\$28,200,000) can be obligated. The GOL was advised that it will be difficult for the U.S. to go forward with the ESF program unless the GOL took clear and definitive action on a wide-ranging set of reforms.

While the outcome of these discussions is less than conclusive at this time, the Mission is planning to concentrate its policy reform agenda over the next few years on the following initiatives which are consistent with previous World Bank and IMF objectives: (1) introduce budgetary discipline and reduce the deficit through revenue measures and expenditure controls, (2) deal with the country's monetary crisis, (3) improve GOL public accountability, (4) bring on line the structural reforms that are needed for the long-term viability of the GOL's budget process, (5) improve the GOL's image among donors and investors by placing on line appropriate mechanisms for paying some or all of the Government's outstanding obligations, and (6) elicit high level GOL support for enforcing the foregoing measures without favoritism or exception. A representative sampling of the kind of issues the Mission will explore over coming months for achieving these objectives follows. The specific details of the US/GOL policy agenda and related benchmarks or targets will be outlined and discussed in the CDSS per State 125532 dated 4/22/86. Current plans include using other donors (principally World Bank, IMF, and EEC) technical and managerial resources to supply whatever expatriate line managers the GOL may decide it needs. An illustrative list of policy concerns follows:

1. Budgetary Discipline and the Deficit

- Promulgate an emergency budget for the remainder of FY 1986 and for FY 1987 that accurately reflects the GOL's severe financial state and prohibits extra budgetary expenditures.
- Devote the development budget which will consist entirely of PL 480 Title I counterpart generations to supporting high priority development projects based on donor assessments of their likelihood of success.
- Place on line the technical and human resources needed to insure GOL compliance with the budget and establish a fail-safe mechanism for addressing extra budgetary outlays when they are identified.
- Eliminate or drastically curtail the Government's ability to borrow against future revenues for recurrent expenditure or other operational purposes.
- Identify and review the status of previously issued extra budgetary expenditure authorizations and instruments such as customs drawbacks, etc., and place on line procedures for redeeming or otherwise dealing with these liens against GOL revenues.
- Identify the impact that announced GOL wage bill reduction efforts are having on the deficit and suggest further reforms.

2. Focus on Monetary Crisis

- Develop a rational framework for dealing with the monetary crisis through close consultations with the IMF.
- Acquire the technical and human resources to implement the actions mandated by the adopted monetary framework.
- Mint no more Liberian coins until a rational monetary framework is developed.

3. Improve Public Accountability

- Adopt the fiscal and managerial policies needed to project a sense of public accountability.
- Publish annual budgets and keep expenditures and revenues in line with such budgets.
- Acquire the professional talent needed to establish and to maintain public accountability
- Conduct audits of the Ministry of Finance, Liberian Produce Marketing Corporation and the Liberian Petroleum Refining Corporation.
- Follow-up with audits of other institutions as well.
- Discontinue practice of offsetting GOL obligations against tax revenues from public corporations.

4. Structural Reforms

- Support World Bank initiatives to reopen structural adjustment dialogue to identify those adjustments most urgently needed to address Liberia's problems.
- AID to consider the feasibility of establishing a linkage with the Bureau of State Enterprises which was established to oversee GOL privatization efforts.

5. Meet Outstanding Obligations

- Adopt the structural reforms that are needed to strike a better balance between recurrent costs and the GOL's ability to service its outstanding obligations.
- Develop priority list of debts and deposit offshore revenues to special account established for this purpose.
- Encourage the use of at least 30% of offshore revenues for debt service payments.
- Engage other donors in broad discussions about debt rescheduling.

6. Enforcement of Reforms

- Establish a fair and impartial mechanism for enforcing adopted reforms and a system of appropriate sanctions to discourage non-compliance.
- Publicly announce and periodically reinforce through public announcements that the GOL is serious about enforcing reforms.
- Take measures that concretely demonstrate GOL's commitment to reform.