APPENDIX D

A.I.D. EVALUATION SUMMARY - PART I

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE.

IDENTIFICATION DATA

A. Reporting A.I.D. Unit:

Mission or AID/W Office USAID/LIBERIA
(ES# ______________)

B. Was Evaluation Scheduled In Current FY Annual Evaluation Plan?
Yes [X] Slipped [ ] Ad Hoc [ ]
Evaluation Plan Submission Date: FY 88 Q 3

C. Evaluation Timing
Interim [ ] Final [X] Ex Post [ ] Other [ ]

D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
669-0214 Grant No. 669-K-609	Commodity Import Program	1987	9/90	5,000	5,000

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director

Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
1. Design new CIP, limited to the private sector, with an increase in resources for agricultural production and smaller businesses.	Susan Merrill Chief, USAID/PD	3/90
2. Design a project targeted on SMEs that integrates some CIP financing for imports; this project should include credit and business advisory services.	Susan Merrill	3/90
3. Include some policy reform measures in next CIP, e.g. equalization of effective taxes across similar businesses, demonopolization of agricultural trading, rationalization of tariff structure. These will be the subject of a continuing dialogue with the GOL.	Susan Merrill Shirley Erves Program Economist	3/90
4. Bring the effective exchange rate closer to market rates for the next program. This might be done by creating a 'development fund', to which importers must contribute to access the CIP.	Susan Merrill	3/90
5. Before financing spares for Monrovia City Corporation, get it to agree to abandon its pretensions to a monopoly of garbage collection and to agree to seek ways of using private sector collectors.	Edward Ploch, A/DIR, Tim Born, CMO	7/89
6. Use local currency generated by the CIP to achieve macro-economic reform, and to support A.I.D.-financed development activities.	R. McLaughlin Chief/DP	9/89-1994
7. For CIP II administration, 1) require a 'reasonable number' of bids rather than 'three'; and 2) assign end-use check responsibility to the Controller's office.	Susan Merrill	3/90

(Attach extra sheet if necessary)

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation: (Month) June (Day) 6 (Year) 1989

G. Approvals of Evaluation Summary And Action Decisions: Alfreda Brewer, A/Chief, SPPD Date: 7/12/89

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name (Typed)	Timothy Born	N/A	(Acting) Shirley Erves	(Acting) Edward J. Ploch
Signature	[signature]		Shirley A. Erves	[signature]
Date	July 12, 1989			7/12/89

ABSTRACT

H. Evaluation Abstract (Do not exceed the space provided)

CIP I was originally designed as a $16,000,000 program in support of A.I.D.'s overall macroeconomic reform strategy for Liberia. The centerpiece of this strategy, the provision of 17 operational experts to various ministries, was terminated in late 1988, about six months after the first CIP disbursement. Because of this termination, USAID reduced the CIP level to $5,000,000. The CIP's original objectives were to: 1) encourage policy reform; 2) generate local currency for civil service retrenchment; 3) support the private sector; 4) reduce foreign exchange shortages; and 5) contribute to the restoration of confidence in the economy. In addition, the PAAD set aside 10 percent of the funds available for smaller businesses, thus adding a sixth objective of direct support to the SME sector. The final evaluation was conducted in May and June, 1989 when approximately 80 percent of the U.S. dollar funds had been disbursed and the civil service reform program had been cancelled. USAID's major objective for the evaluation, which was conducted by an AID/W team, was to determine whether and how a CIP could be justified for Liberia in the absence of the sweeping program of macroeconomic reform that had been originally envisioned. The major conclusions and findings are:

- The program is contributing in a cost-effective manner to the broadly based long-term development of the economy.

- The Liberian private sector is vibrant and has adjusted well to current realities.

- The program is being administered in such a way as to fully meet the objectives embodied in U.S. legislation for such programs, although plans for the use of local currency are not finalized and therefore could not be evaluated.

- U.S. exports were especially favored by the program, and all commodity sourcing was from the U.S.

- Windfall profits accruing to imports were small, estimated at about 6 percent of the private sector portion of the program.

- The CIP program should be continued if it is limited to the private sector; a continuation that incorporates a strengthened private sector element would be justified on development grounds.

COSTS

I. Evaluation Costs

1. Evaluation Team

Name	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. $)	Source of Funds
Robert J. Maushammer	AID/W/PPC/PB	21 days	5,000	USAID OE
Robert B. Richardson	AID/W/SER/OP/COMS	14 days	4,000	USAID OE

2. Mission/Office Professional Staff Person-Days (Estimate) 15

3. Borrower/Grantee Professional Staff Person-Days (Estimate) 2

A.I.D. EVALUATION SUMMARY - PART II

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)
Address the following items:

- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office:	Date This Summary Prepared:	Title And Date Of Full Evaluation Report:
USAID/LIBERIA	July 12, 1989	Evaluation of Liberia Commodity Program, June, 1989

A. Purpose and Methodology: The purpose of this evaluation was to determine the impact of the Liberia Commodity Import Program (CIP) on the Liberian economy and on individual firms, with particular attention to recommendations on how any future CIP could have a greater development impact, especially for small and medium enterprises. The evaluators conducted some fifty interviews with importers, bankers, and government officials and reviewed all relevant program documentation as well as background material on the economy.

B. Findings:

1. The Liberia Commodity Import Program 669-K-609, Project 669-0214, is meeting those of its stated objectives not overtaken by events since the design of the program: it is providing effective support to the private sector, reducing shortages of foreign exchange, and helping restore the private sector's confidence in the economy.

2. While the program has not been successful in achieving the Mission's ultimate policy dialogue goals of improved economic and financial policies and civil service reform, it was useful at the time it was being negotiated in encouraging the Government of Liberia (GOL) to start implementation of the OPEX project. It is, however, generating the local currency needed to support development activities in the future.

3. The program is being used in a consistent way, contributing in a cost-effective manner to the broadly based long-term development of the economy. Special attention was paid to economic efficiency and to expanding competition in the economy.

4. The program is being administered in such a way as to fully meet the objectives embodied in U.S. legislation for such programs. Spare parts are approved only when they are likely to be used in a productive way; imported commodities are largely for high priority development areas, although some public sector imports are of lesser priority; agricultural production activities are receiving an appropriate share of available financing; there is good geographic balance, despite limitations due to the concentration of industrial activity in Monrovia; and, as stated above, the majority of imports are believed to be in addition to those that would have occurred without the program.

5. Judging by standard measures of CIP management (such as commitment and expenditure rates), the program is being managed efficiently.

6. Although the economy still has not overcome the full effects of Liberia's poor economic and financial management policies, the private sector has been able to adjust quite well to current realities.

7. The private sector -- both commerce and manufacturing -- is vibrant. It is also highly competitive. Local manufacturers have to vie with imports and try to reduce costs to the bare minimum. Efforts to maximize profits often take the form of high sales volumes and low profit margins.

8. With good policies and honest administration, a reduced public sector could make a real, positive contribution to growth and development. Nonetheless, it is unclear that

3

Liberia will be able, in the near future, to undertake the sharp reordering of priorities and Herculean administrative efforts needed to become current on its official external debt and thereby regain access to incr-ased development financing. The public sector will probably find a way to get by for as long as the private sector remains relatively healthy.

9. About three-fifths of the imports approved for financing under the CIP probably would not have occurred in the absence of the program. An estimated 83 percent of public sector imports and 48 percent of private sector imports were additional.

10. U.S. exports were especially favored by the program. All commodity sourcing was from the United States. The high use of U.S. flag vessels had negative implications for importers, their customers and the program as a whole.

11. The evaluation concluded that windfall profits were likely to be relatively small, perhaps on the order of 6 percent of the private sector portion of the program. Competition and price controls forced some importers to pass along most of their savings, espe[illegible]lly raw materials importers.

12. The weakest portion of the program is that dedicated to the public sector, for two reasons. First, one of the six public sector institutions approved for participation in the program was slow in providing the local currency required to open its letters of credit. Second, the development rationale for providing buses to the University of Liberia and possibly spare parts to rehabilitate seven garbage trucks for the city of Monrovia is not clear.

13. The chance that the program contributed to private capital flight is thought to be small, although available evidence is sketchy.

14. In terms of macroeconomic effects, the program has had a positive impact on production, the public sector revenue base, employment (somewhat), and price stability. In microeconomic terms, the program contributed to more competitive markets among local producers and between local manufactures and imported finished goods. Several participants who have since made imports on strictly commercial terms said that our program enabled them to weather very tight times and may have saved their firms from bankruptcy.

C. <u>Recommendations</u>:

1. The CIP program should be continued <u>if</u> it is limited to the private sector and <u>if</u> the measures cited below are taken. The CIP has made a valuable contribution to economic growth; some of its benefits accrued to the general population, the level of additionality was quite high and estimated windfall profits were quite low. A continuation that incorporates a strengthened private sector element would be justifiable on development grounds.

2. Three measures would strengthen the program's development impact and its development rationale. First, the Mission should look for ways to increase the proportion of CIP resources going to support agricultural production and marketing, perhaps through intermediary organizations. Second, the Mission should look for ways to increase the proportion of CIP resources dedicated to micro and small-scale entrepreneurs. Third, it should seek to refrain from financing the importation of raw materials and capital goods used to make products unlikely to be affordable to Liberians in the lower half of the income scale.

3. The Mission should also increase the use of market-based allocation criteria by first, eliminating the size limit on allocations (but sufficient publicity should be undertaken and time allowed for rural-based requests to reach the project), and second, reducing the implic[illegible] subsidy built into the CIP exchange rate.

4. The Mission should consider designing an integrated project (in addition to the program assistance recommended above) for micro, small and medium enterprise development that would: provide foreign exchange for imports using a CIP mechanism; fund technical assistance and policy and other development studies; provide credit at market rates of interest; and provide business training.

5. In designing its future program and project assistance activities, the Mission should seek several policy changes to aid SME development, including the equalization of import duty rates among raw materials, capital goods and finished goods; equalization of total effective taxes and fees and demonopolization or privatization of wholesale trading in agricultural products entering international trade (primarily coffee, cocoa and rice), including export trading. Other topics of interest to the Mission, such as relaxing price controls and interest rate ceilings and policies dealing with other aspects of private sector development more generally, could be included.

6. Even if any ESF grants to the GOL are permitted by next year's legislation, we should be sending the strongest possible message to the GOL that only it can remove the thorny and complicated impediments that its policies are placing to achieving financial soundness and improved public services. Excluding rice and the public sector from using ESF until changed policies are implemented would be an appropriate method of enforcing the seriousness of our concern.

7. The Mission should use the negotiations for any follow-on CIP and SME activity to convince the GOL that it should reformulate its economic and financial policies.

8. There is room to bump up the implicit exchange rate in the future. It is difficult to estimate now what that rate should be when we are ready to start any follow-on activity (both an SME project and a private sector CIP). There are relatively high costs implicit in using the CIP mechanism and only minor savings to offset them. The net cost over normal commercial purchases is in the vicinity of 20 to 25 percent. Given today's parallel rate of about 2.15 on-shore dollars per U.S. dollar, the upper limit on the amount we could charge now is somewhere around 1.5 on-shore dollars. If the follow-on program is large enough, and to the extent it substitutes for demand that otherwise would be felt in the parallel market, the parallel market rate would decrease to the extent that a 1.4 rate would be the most we could charge and still keep program disbursement rates high.

9. The Mission should not finance garbage truck spares for the Monrovia City Corporation unless the city agrees to give up its pretension of establishing a monopoly in this area and agrees, at least in principle, to see how it could use private sector contractors for some of the task.

10. The Mission should review the issue of opening the follow-on program to more local banks in the future. The lower costs that might be achieved through such competition could be important, but maintaining the high accuracy and rapid implementation experience of the present arrangements is also important.

11. If the Mission moves closer to the parallel rate of exchange in any future CIP program, it should explore ways of providing local currency credit facilities to low-income CIP applicants, especially farmers and established micro and small-scale entrepreneurs.

12. Looking to the future, it is recommended that local currency generations from any follow-on CIP program be used first for all local costs, including credit, of the SME project and, if necessary and desirable, for local currency credit to small and medium participants in the follow-on private sector CIP program. The second recommended use would be CIP administration and the third general OE purposes. The remainder should be used for other A.I.D.-supported projects. Only if these uses do not require all CIP-generated funds should activities outside the above areas be considered.

5

ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary: always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

Full Evaluation Report

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

USAID Comments (References are to the numbering above, not the body of the report):

USAID agrees with the report's findings and recommendations. The team worked closely with Mission staff, and all major issues were fully aired and resolved. This exercise illustrated the value, particularly for programs or projects that are somewhat controversial, of AID/W participation in evaluations. USAID/Liberia is particularly gratified that personnel of the caliber of Messrs. Richardson and Maushammer were able to devote the time required to develop an understanding of the peculiarities and promise of the Liberian environment. We hope that this investment will contribute materially to AID/W's general appreciation of what we are doing here.

Recommendation 5: USAID does plan to pursue some of the policy dialogue recommendations made in the report. In any case, we believe that the evaluation supports our contention that even with no policy change, CIPs can have a significant positive development impact in Liberia.

Recommendation 4: USAID will get a second opinion on the value of replacing, for small and medium enterprises, the CIP's direct exchange rate subsidy with a business credit and advice institution that will require significant management attention and that might not work. USAID presently has two projects directed at small business development and a third is in the planning stages. These programs require a long-term investment of money and management time, and contain hidden subsidies to the target group. A CIP exchange rate subsidy may be the most efficient way of assisting small businesses for certain types of investments. Whether or not this recommendation is fully accepted, USAID will integrate any new CIP with the Mission's SME activities.

Finding 12 and Recommendation 6: Finding 12 states that the weakest portion of the program is that dedicated to the public sector because: first, one of the public sector companies has been slow to pay local currency; and second, USAID in effect supported public sector alternatives to private bus service for the University. It should be noted, however, that slow payment was at least as great a problem for the private sector component of the program as for the public; and the buses represented only seven percent of the public sector funds (private alternatives, while worthy of investigation, are not readily available in this market). USAID agrees with Recommendation 6's formulation of the same basic point; that the CIP should be used to convey the message, that until the GOL shows some commitment to reform, the public sector should not receive any support. Overall, the allocation of funds to the public sector was, USAID believes, fully as defensible as the allocation to the private sector.

GOL Comments: The GOL has not commented formally on the evaluation. In debriefings with the team, officials expressed regret that the public sector will be excluded from the next program, and pointed out that some parastatals are not so badly managed and are in dire need of imports. The GOL also cautioned against raising the effective exchange rate too much, given the high implicit costs of using the program (the shipping regulations, particularly).

XD-ABZ-800-A
ISN 62181

EVALUATION OF THE

LIBERIA COMMODITY IMPORT PROGRAM

669-K-609

PROJECT 669-0214

USAID/LIBERIA

JUNE, 1989

SUBMITTED BY:

Commodity Management Specialist: Robert B. Richardson
M/SER/OP/COMS, AID/W

Economist and Team Leader: Robert J. Maushammer
PPC/PB, AID/W

1

TABLE OF CONTENTS

SUMMARY

A. Background:

The purpose of this evaluation is to determine the impact of the Liberia Commodity Import Program (CIP) on the economy and on individual firms, with particular attention to recommendations on how any future CIP could have a greater development impact, especially for small and medium enterprises. Importers and other users were interviewed, as were people in finance and government.

B. Findings:

1. The Liberia Commodity Import Program 669-K-609, Project 669-0214, is meeting those of its stated objectives not overtaken by events since the design of the program: it is providing effective support to the private sector, reducing shortages of foreign exchange, and helping restore the private sector's confidence in the economy.

2. While the program has not been successful in achieving the Mission's ultimate policy dialogue goals of improved economic and financial policies and civil service reform, it was useful at the time it was being negotiated in encouraging the Government of Liberia (GOL) to start implementation of the OPEX project. It is, however, generating the local currency needed to support development activities in the future.

3. The program is being used in a consistent way, contributing in a cost-effective manner to the broadly based long-term development of the economy. Special attention was paid to economic efficiency and to expanding competition in the economy.

4. Judging by standard measures of CIP management (such as commitment and expenditure rates), the program is being managed efficiently.

5. Although the economy still has not overcome the full effects of Liberia's poor economic and financial management policies, the private sector has been able to adjust quite well to current realities.

6. The private sector--both commerce and manufacturing--is vibrant. It is also highly competitive. Local manufacturers have to vie with imports and try to reduce costs to the bare minimum. Efforts to maximize profits often take the form of high sales volumes and low profit margins.

7. With good policies and honest administration, a reduced public sector could make a real, positive contribution to growth and development. Nonetheless, it is unclear that Liberia will be able, in the near future, to undertake the sharp reordering

of priorities and Herculean administrative efforts needed to become current on its official external debt and thereby regain access to increased development financing. The public sector will probably find a way to get by for as long as the private sector remains relatively healthy.

8. About three-fifths of the imports approved for financing under the CIP probably would not have occurred in the absence of the program. An estimated 83 percent of public sector imports and 48 percent of private sector imports were additional.

9. The program is being administered in such a way as to fully meet the objectives embodied in U.S. legislation for such programs, although plans for the use of local currency are not finalized and therefore could not be evaluated. (Local currency uses should be evaluated, according to the legislation.) Spare parts are approved only when they are likely to be used in a productive way; imported commodities are largely for high priority development areas, although some public sector imports are of lesser priority; agricultural production activities are receiving an appropriate share of available financing; there is good geographic balance, despite limitations due to the concentration of industrial activity in Monrovia; and, as stated above, the majority of imports are believed to be in addition to those that would have occurred without the program.

10. U.S. exports were especially favored by the program. All commodity sourcing was from the United States. Normal trade patterns would lead to the expectation that only 25 percent of Liberian imports would have come from the United States. U.S. flag vessels were used for virtually all imports except agricultural products. Determinations of Non-availability (DNAs) were issued sparingly. The high use of U.S. flag vessels had negative implications for importers, their customers and the program as a whole.

11. Not all of the increase in U.S. exports represents trade diversion in the longer run, because some importers simply increased the amounts they bought now from the United States and will decrease the amounts they will buy in the future. The amount of such purchases is estimated at around $250,000--a minimal sum in any case. Some trade creation occurred.

12. Windfall profits are estimated to be relatively small. Looking simply at the ratio between the parallel and CIP exchange rate would lead one to expect that such profits could be as much as 74 percent of program resources. However, such profits could only accrue to the extent that the exchange rate used in the program provided a subsidy to importers. The subsidy was determined to be 40 percent. An examination of the program and how it was operated led to the conclusion that windfall profits were likely to be on the order of 6 percent of the private sector portion of the program. Competition and price controls forced some importers to pass along most of their savings, especially raw materials importers.

13. The weakest portion of the program is that dedicated to the public sector, for two reasons. First, one of the six public sector institutions approved for participation in the program was slow in providing the local currency required to open its letters of credit. It eventually got PL 480 currency intended for the Development Budget. Second, the development rationale for providing three buses to the University of Liberia and possibly spare parts to rehabilitate seven garbage trucks for the city of Monrovia is not clear. Although many considerations apparently entered into the decision-making process for these transactions, these institutions will now be in direct competition with existing private sector providers of these services. Such uses of CIP resources come at the expense of alternatives, even in the public sector, that would not decrease the opportunity for private sector growth.

14. The chance that the program contributed to private capital flight is thought to be small, although available evidence is sketchy. Estimated capital flight in 1985 and 1986 was around $100 million. The economy has improved since then, opening up new profit possibilities. Stability of the exchange rate since the initiation of the program more than a year ago is not inconsistent with lower demand for foreign exchange for flight capital purposes.

15. In terms of macroeconomic effects, the program has had a positive impact on production, the public sector revenue base, employment (somewhat), and price stability. In microeconomic terms, the program contributed to more competitive markets among local producers and between local manufactures and imported finished goods. Several participants who have since made imports on strictly commercial terms said that our program enabled them to weather very tight times and may have saved their firms from bankruptcy.

C. <u>Recommendations</u>:

1. The CIP program should be continued <u>if</u> it is limited to the private sector and <u>if</u> the changes of the sort given in the following paragraph are adopted. While the present program has, in fact, made it easier for inappropriate financial and economic development policies to be continued (to the extent that CIP financing is not additional but substitutes for other resources), it has also made a valuable contribution to economic growth. Some of its benefits accrued to the general population, the level of additionality was quite high and estimated windfall profits were quite low. The program's private sector element can be expected to continue to have a substantial impact even if continued in its present form. A continuation that incorporates a strengthened private sector element would be justifiable on development grounds.

2. Three measures would strengthen the program's development impact and its development rationale. What is needed for broad-based development, as opposed to simple economic growth, is a better focus on increasing the productive capacity of the typical farmer and smaller entrepreneur. First, the Mission should look for ways to increase the proportion of CIP resources going to support agricultural production and marketing, perhaps through intermediary organizations such as PfP/L. Second, the Mission should look for ways to increase the proportion of CIP resources dedicated to micro and small-scale entrepreneurs. Third, it should seek to refrain from financing the importation of raw materials and capital goods used to make products unlikely to be affordable to Liberians in the lower half of the income scale.

3. The Mission should make two other changes in the design of any follow-on CIP to make greater use of market-based allocation criteria. First, no size limit should be placed on allocations, but sufficient publicity undertaken and time allowed for rural-based requests to reach the project. Second, the implicit subsidy built into the CIP exchange rate should be reduced (see Recommendation No. 10).

4. The Mission should consider designing an integrated project (in addition to the program assistance recommended above) for micro, small and medium enterprise development that would provide foreign exchange for imports using a CIP mechanism and fund technical assistance and policy and other development studies. The project should also make local currency credit available to micro and small-scale businesses, and to those medium-size businesses which do not now have bank credits. This credit would be for working capital and fixed assets. Market rates of interest for such enterprises should be charged. Such rates are substantially above rates charged by commercial banks and subsidized lending programs. Subsidies should not be hidden in low interest rates. Business training should be provided to prospective project beneficiaries and business advisory services to all participating businesses. Ideally, an existing institution would be used. It will need strong outreach and financial management capacities. Strengthening an existing institution to these standards would be more cost effective than trying to establish a new organization.

5. This kind of project would not require all of the ESF funding that is currently programmed for Liberia from FYs 1988, 1989, and 1990. The CIP elements of the project could be in the range of $1.0 million to $1.5 million, but likely demand would need further investigation in the course of project development. The funds not used for this project could well be used for a continuation of the current program, hopefully as modified in accordance with recommendation 2.

6. The Mission should address which activities currently being carried out by Partnership for Productivity/Liberia (PfP/L) and the Small Enterprise Financing Organization (SEFO) should

continue to be financed from the CIP and which should be incorporated in the SME project proposed above.

7. In designing its future program and project assistance activities, the Mission should seek several policy changes to aid SME development. Based on the preliminary results of the SME study and observations gathered in the course of this evaluation, appropriate policy changes to this end include: the equalization of import duty rates among raw materials, capital goods and finished goods; equalization of total effective taxes and fees--annual registration fees, income taxes and excise taxes--across similar businesses (across all businesses would be preferable); and demonopolization or privatization of wholesale trading in agricultural products entering international trade (primarily coffee, cocoa and rice), including export trading. The objective of the first two policy changes would be to level the playing field for all businesses. The objective of the third would be to better pass along price incentives for both increased investment in these crops and greater production thereof. Other topics of interest to the Mission, such as relaxing price controls and interest rate ceilings and policies dealing with other aspects of private sector development more generally, could be included.

8. The recommendation to continue the private sector element of the current program is made in full knowledge of possible pressure from various quarters to use a portion of available ESF funds for the importation of rice and to continue public sector participation in the CIP program. Even if any ESF grants to the GOL are permitted by next year's legislation, we should be sending the strongest possible message to the GOL that only it can remove the thorny and complicated impediments that its policies are placing to achieving financial soundness and improved public services. Excluding rice and the public sector from using ESF until changed policies are implemented would be an appropriate method of enforcing the seriousness of our concern.

9. The Mission should use the negotiations for any follow-on CIP and SME activity to convince the GOL that it should reformulate its economic and financial policies. It is unlikely that Congress will break with its pattern of requiring certifications before allowing the use of ESF assistance to the GOL. Since the success of the CIP makes it easier for the GOL to continue its present course, it may also be unlikely that Congress will allow a new CIP. Further, the Mission is proposing a higher level of resources for Liberia now, with its demonstrably inappropriate policies, than several years ago, when we thought improved policies were possible, perhaps even within reach.

10. There is room to bump up the implicit exchange rate in the future. It is difficult to estimate now what that rate should be when we are ready to start any follow-on activity (both an SME project and a private sector CIP). There are relatively

high costs implicit in using the CIP mechanism and only minor savings to offset them. The net cost over normal commercial purchases is in the vicinity of 20 to 25 percent. Given today's parallel rate of about 2.15 on-shore dollars per U.S. dollar, the upper limit on the amount we could charge now is somewhere around 1.5 on-shore dollars. If the follow-on program is large enough, and to the extent it substitutes for demand that otherwise would be felt in the parallel market, the parallel market rate would decrease to the extent that a 1.4 rate would be the most we could charge and still keep program disbursement rates high.

11. The Mission should not finance garbage truck spares for the Monrovia City Corporation unless the city agrees to give up its pretension of establishing a monopoly in this area and agrees, at least in principle, to see how it could use private sector contractors for some of the task. This would be more consistent with the purposes of the program. The CIP should not be used to limit the scope of private sector growth.

12. The Mission should review the issue of opening the follow-on program to more local banks in the future. The lower costs that might be achieved through such competition could be important, but maintaining the high accuracy and rapid implementation experience of the present arrangements is also important.

13. If the Mission moves closer to the parallel rate of exchange in any future CIP program, it should explore ways of providing local currency credit facilities to low-income CIP applicants, especially farmers and established micro and small-scale entrepreneurs. Although there are well-known pitfalls to this approach which will have to be guarded against, the extra costs of supervising and administering a successful program of this type could be financed with local currency grants.

14. Local currency generated under the current CIP will be used for development activities other than civil service reform. The Mission should use these resources in accordance with two principles: the activities to be supported should advance the purposes for which the dollar funding was approved, and the administrative burden on the Mission should be minimized. In this case, macroeconomic policy improvement would rank high, in accord with the first principle. Also ranking high would be allocating a portion to supporting other A.I.D.-financed development activities, in keeping with the second principle. Third, of course, the Mission should use these ESF-generated resources to substitute for scarce U.S. dollar funding for its Operating Expense budget.

15. Looking to the future, it is recommended that generations from any follow-on CIP program be used first for all local costs, including credit, of the SME project and, if necessary and desirable, for local currency credit to small and medium

participants in the follow-on private sector CIP program. The second recommended use would be CIP administration and the third general OE purposes. The remainder should be used for other A.I.D.-supported projects. Only if these uses do not require all CIP-generated funds should activities outside the above areas be considered.

16. Several recommendations for improving the administration of the remaining portion of the present program and any follow-on program are contained in Annex F, Program Management Evaluation Report.

EVALUATION OF THE

LIBERIA COMMODITY IMPORT PROGRAM

I. Scope of This Evaluation

This evaluation is in fulfillment of the scope of work established by USAID/Liberia in Monrovia 04522 of May 5, 1989 (see Annex A), and follows the guidance in Handbook 4, Chapter 9 for evaluations of commodity import programs (CIPs) and CIP-like activities. It also fulfills the requirement appearing in the International Security and Development Cooperation Act of 1985, Section 801, that each CIP in Africa financed with Economic Support Fund (ESF) resources in Fiscal Years (FYs) 1986 and 1987 be evaluated annually (see Annex B).

The basic objectives of the evaluation were to determine the impact of the CIP on the economy and examine how well the program has been implemented. In addition, the Mission requested that the evaluators consider how the CIP mechanism could increase the development impact of the CIP and the CIP's ability to support private sector-led growth and development. Within this general framework, the above-cited legislation requires CIP evaluations to examine the extent to which imports have been used in accordance with the country's long-term development needs, including specifically the extent to which such imports:

a. are approved in accordance with the ability of the recipients to use them in a maximally productive, employment generating and cost effective way;
b. are coordinated with the country's economic development plans and will effectively promote economic development;
c. emphasize agricultural production activities, particularly for export or for reducing reliance on imported food;
d. are allocated to have broad sectoral and geographic impacts; and
e. are in addition to imports which would otherwise occur.

The legislated evaluation criteria may be inconsistent with each other. Long-term cost effectiveness, for example, could conflict with maximizing employment in the short run. Increasing agricultural production could conflict with using imports in a way which maximizes their productive potential or with the desire that effects be spread geographically or across sectors. Nevertheless, the spirit of the legislation is clearly that ESF-financed CIP imports make the maximum contribution possible to broadly based long-term economic growth.

II. Background of the CIP Program

A. Objectives of the CIP Program

The CIP was designed to support five explicit objectives: (a) to encourage policy reform in Liberia; (b) to generate the local currency funding needed to support a civil service retrenchment program; (c) to support the private sector: (d) to reduce foreign exchange shortages; and (e), to the extent possible, to contribute to the restoration of confidence in the economy. Implicit in the objective of supporting the private sector was the sixth objective of giving special attention to small and medium size enterprises (SMEs) and to imports for use in local production as opposed to imports for resale, especially consumer goods. The allocation of 30 percent of CIP funds to public enterprises responded to a seventh, implicit objective--to improve the provision of essential public services.

B. Programmatic Context

In terms of policy reform, the CIP was tied to implementation of the OPEX project, increased privatization of petroleum product imports (if petroleum imports were to be financed), the provision of onshore and offshore fiscal budgets, and civil service reform (if local currency generations were to be used for retrenchment of redundant civil service workers). The ties to the OPEX project and the submission of budgets were intended to lead the Government of Liberia (GOL) along the path of financial and economic policy reform. The conditions precedent to the initial disbursement of dollar resources, beyond those for technical assistance (program administration), required the arrival of the first members of the OPEX team and the submission of the National Budget for the second half of 1987 and the budget for offshore revenues for the same period. (The second half of 1987 was an interim fiscal period that occurred when the GOL redefined its fiscal year from July-June to January-December.) Disbursement of dollar resources for petroleum imports was conditioned on permission being granted by the GOL to a private sector entity for importing such products, which were then largely a monopoly of the Liberian Petroleum Refining Corporation (LPRC), an entity that A.I.D. and other donors hoped would be privatized. Disbursements from the Special Account (to be funded by local payments by importers) were conditioned on initiation of an acceptable civil service reform program.

These objectives were fully consistent with the A.I.D. country strategy in effect during this period. Economic Support Fund (ESF) resources were to be used, within the overall strategy, primarily for leveraging improved GOL economic and financial management policies. It was recognized that, since our ESF funding levels were shrinking, ESF funding would no longer be sufficient to service enough official external debt to keep the World Bank and other international financial institutions engaged in Liberia, an approach followed during the previous four years. At the same time, ESF resources were seen as an important vehicle for supporting the private sector, which was then experiencing difficulties adjusting to the financial effects of GOL policies.

C. Economic Context

When the CIP was designed in 1987, the economy was in the sixth year of a secular decline in exports, imports and production, as measured by Gross Domestic Production (GDP) data. There were occasional small increases in one or two of these measures from one year to the next during this period. Nonetheless, the combination of declining export revenues (due largely to falling prices in international markets for Liberia's products) and the effects of the GOL having lost control of its budget was seriously undermining the economy's resiliency and capacity for recovery. Business confidence was lagging, demand for goods and services shrinking, and domestic production falling. The GOL's domestic and international arrears were increasing at a prodigious rate, beyond its ability to bring them current without sharply reordered priorities and Herculean implementation measures.

Liberia is essentially an open, export-oriented economy. Most economic activity is carried out by the private sector, which operates with little formal interference from the government. The public sector is largely confined to public utilities, the wholesale marketing of fuel and agricultural products that enter international trade, and the provision of such public services as health and education. However, the prices of imported and domestically produced consumer goods using imports that are deemed to be basic necessities are controlled. Exporters are supposed to surrender 25 percent of their export proceeds, for which they are to receive on-shore dollars (called "coins" in Liberia). The GOL is not able to enforce these rules broadly or consistently. Price controls are based on actual costs and profit margins negotiated with the Chamber of Commerce. (During the course of the evaluation, we were told by importers and local manufacturers that controlled prices now are being based on the actual cost of foreign exchange, whether received through official allocations or purchased through the parallel market. This practice was adopted more than a year ago. We were also told that, for some importers at least, import duties, which are assessed and collected in on-shore dollars, are based on valuations of merchandise calculated at the rate of two on-shore dollars per off-shore dollar.)

Rent-seeking behavior among public officials does exist, at all levels of the bureaucracy. Petty harassment of business is apparent and touches the lives of many Liberians, but it does not seem to threaten the existence of productive activity. More important to daily life is the fact that, in accordance with Gresham's Law, Liberian coins have driven out the U.S. dollar from common use as the medium of exchange. As a store of value, the American dollar is preferred, as is just about any foreign currency. Although the Liberian (on-shore) dollar is equal officially to the U.S. dollar, it was quoted at about 1.65 per U.S. dollar at the time that the CIP design was approved and the program negotiated with the GOL. By the time that initial conditions precedent were satisfied and the program publicly launched, the parallel rate had increased to roughly 2.35. (It should be pointed out that quotes in the parallel market can be for spot delivery--which are those used in this evaluation--or for future delivery. Future deliveries are quoted at a substantial discount and vary according to the length of the delivery period and whether or not a bank guarantee is involved. Future deliveries contain an element of risk.) When most private sector L/Cs were opened, the rate was about 2.0. It has not moved much since then. According to the Embassy Economic Section, the on-shore dollar has been quoted at the following rates in the recent past:

Year	Month	Rate
1986	March	1.35
	July	1.30
1987	July	1.55
	September	1.65
1988	January	1.80
	March 1	1.90
	March 31	2.35
	April	1.65
	May	2.00
	September	2.25
	October	2.00
	December	2.10
1989	January	2.10
	February	2.20

Exchange rate movements have a seasonal element. During the rainy season, logging operations are very slow, gold and diamond operations in Liberia are at a virtual standstill, and traders from neighboring countries make fewer buying trips to Liberia. These three factors lead to decreased supplies of foreign exchange during that period, with the greatest shortage just before the end of the rainy season. The demand for foreign exchange for imports, led by consumer goods in anticipation of Christmas demand, is at a peak in September and October. Thus, the highest parallel market rates normally are observed at the end of the third quarter and at the start of the fourth quarter. The jump in March of 1988 was exceptional, and the decline noted for April reportedly was due both to a reaction to the steepness of the jump in the previous month and to the announcement of the CIP as a $16 million program. Few people realized that only the first $5 million was actually obligated and that only $3.25 million of this was to be for private sector imports.

III. Description of the Program

A. Size and Public/Private Sector Split

The authorized and obligated ESF funding of $5.0 million is divided at present as follows:

	Amount	Percent of Allocation
Private Sector	$3,250,000	65.0
Public Sector	1,350,000	27.0
Program Administration	400,000	8.0
Total	$5,000,000	100.0

19

Originally, the public sector portion was $150,000 larger. In December, 1988, Implementation Letter No. 6 decreased the public sector Letter of Commitment (L/Com) and increase the set-aside for administrative costs.

B. Operational Aspects

The program is administered jointly by the GOL and A.I.D., in accordance with operating principles agreed at the time of obligation (these are listed in section B of Annex G). Separate descriptions were issued for the public and private sector portions of the program, as were their respective allocation criteria (see Annex H for private sector allocation criteria and Annex I for public sector allocation criteria). Day-to-day implementation responsibilities are vested in a Program Implementation Committee (PIC), composed of the USAID Commodity Management Officer and his counterpart in the Ministry of Finance. Allocation decisions are made by the Mission Director and his GOL counterpart, the Chairman of the Economic and Financial Management Committee (EFMC), if the PIC does not agree on a decision itself. Wide publicity was given to the CIP, including a kick-off conference attended by GOL and USAID officials and many prospective applicants. Specially prepared handouts giving information on the guidelines and procedures to be used in the program were provided to all interested parties.

The PIC examined applications and recommended which should be accepted as presented, accepted in modified form, or rejected. Extensive visits were made to applicants. The PIC followed their established criteria during this process, modifying them as necessary to allocate funds equitably and to increase program effectiveness. This arrangement has worked well and allowed rapid decisions.

C. Program Participation

1. Private Sector Participants

The publicity attending the initiation of the private sector portion of the program was designed to ensure that many expressions of interest would be received. It was successful, as the original applicant pool consisted of 110 proposals involving $19.8 million, as shown in the table on the following page.

At the time of the first allocations, the PIC recognized the need to have a reserve to: fund Citibank/New York charges; finance upward adjustments as price quotes were received; provide flexibility in case several applications rejected solely because the prices they were using from U.S. sources of supply were significantly above those from non-U.S. sources could find cheaper U.S. suppliers; and provide for potential rural-based

20

Private Sector Proposals Received and Approved
($000)

Class of Import	Proposed Number	Proposed Amount	Approved Number	Approved Amount
Resale Goods	45	$6,944	4	$ 265
Not Priority Area	32	6,518	0	0
Rehab. Spare Parts	7	1,782	7	426
Capital Equipment	8	1,700	8	706
Raw Materials	18	2,873	18	1,728
Totals	110	$19,817	37	$3,124
Includes Approvals of (with overlap among them):				
Agricultural Products	2	$1,255	2	$ 952
Agriculture/Agribus.	3	1,670	3	1,102
Liberian Businesses	41	4,467	18	1,074
Small Businesses	14	921	14	526
Outside Monrovia	5	2,563	5	1,324

applicants that did not have time to prepare applications within the short time allowed. Since the first round of allocations was approved, several approved applicants decided to not participate or were unable to do so for financial reasons. Additional allocations were then made, the largest of which was to PfP/L for almost $255,000. The private sector L/Com has been fully allocated.

The current distribution between classes of goods is as follows:

Class of Goods	Amount of L/C	Percent
Capital Goods	$ 935,349	28.8
Spare Parts	384,654	11.8
Agricultural Products	945,680	29.1
Other Raw Materials	970,817	29.9
Citibank/Charges	13,500	0.4
Totals	$3,250,000	100.0
Includes (with overlap among them):		
Small Businesses	505,765	15.6
Liberian Businesses	1,155,928	35.5
Agric./Agribus.	1,162,567	35.8
Outside Monrovia	1,577,412	48.5

2. Public Sector Participants

During the first round of applications under the $1.45 million originally assigned to the public sector portion of the CIP, seven organizations requested program financing for $4.2 million

21

for spare parts and capital equipment. Of this amount, $1.45 million was approved for six of the applicants. This is shown in the following table.

Agency	Commodities Approved	Requested	Approved
LWSC	Spare parts, Rehab. equipment	$548,000	$400,000
NPA	Spare parts	227,996	100,000
LTC	Spare parts, Rehab. equipment	1,604,008	400,000
RIA	Spare parts, Rehab. equipment	567,680	350,000
LEC	Spare parts	500,000	100,000
NHSB	None	441,366	0
UL	Buses, Computers	330,000	100,000
Totals		$4,219,050	$1,450,000

LWSC: Liberia Water and Sewer Corporation
NPA: National Port Authority
LTC: Liberian Telecommunications Corporation
RIA: Roberts International Airport
LEC: Liberia Electricity Corporation
NHSB: National Housing and Savings Bank
UL: University of Liberia

Since the original round of decisions, these organizations have carefully examined their original commodity lists and selected the highest priority items for financing under the program. Since the public sector portion was reduced in February, 1989 to increase the portion for program administration, the L/Com now is for $1,350,000. To date, approvals have totalled $1,340,651, leaving just under $10,000 for bank charges.

According to present approved plans, the following breakdown among classes of goods is expected:

Class of Goods	Approved Amount	Percent
Capital Goods	$ 540,775	40.1
Spare Parts	791,603	58.6
Raw Materials	8,273	0.6
Reserve: Bank Charges	9,349	0.7
Total	$1,350,000	100.0

D. Implementation Status

As of May 6, 1989, the program has made commendable progress in examining requests, deciding which applications (or portions thereof) should be approved, arranging for the issuance of Letters of Commitment (L/Coms) and Letters of Credit (L/Cs) and generally implementing the program. Forty of the expected 43 L/Cs have been opened under the private sector L/Com, representing 92 percent of funds available for the private

22

sector. Eight of the projected 19 L/Cs have been opened under the public sector L/Com, representing only 31 percent of available funds.

The three tables of Annex J present detailed information on implementation status. It should be noted here, as it is in the Commodity Management Specialist's evaluation report (Annex F), that the use of U.S. flag shipping for all but the agricultural commodities imported under the program occasioned major delays for importers and in several cases caused them serious financial problems.

While private sector procurement procedures require only an adequate number of price quotations, formal competitive procurement rules have to be followed for public sector acquisitions. These necessitate preparation of technical specifications, publication of requests for price quotations or invitations for bids, proposal review and, finally, contract award. This process typically takes at least six months for smaller items and as much as a year for major supply contracts. As a result, the opening of public sector L/Cs has been slow relative to private sector L/C rates. In addition, several organizations have had difficulty finding the local currency required for their purchases. They may not be able to carry through with the procurement already approved, and at some point the Mission will have to decide among four basic options: (1) extend the time for the completion of the procurement; (2) provide the local currency (which would involve using already generated funds for this purpose and put such uses in competition with alternative uses); (3) reallocate the funds within the public sector; or (4) add them to the private sector L/Com. This decision may require extending the CIP management office.

E. Description of Private Sector Participants

The previous sections described allocations according to type of commodity and to whether the participant was in the private or public sectors. The other ways of grouping, within the program's private sector element, are: by size of business; ethnic background of the owner; or whether the imports were for resale for an importer's own account at retail, or whether he acted as a conduit for others, or used them as raw materials in manufacturing.

As can be seen in the following table, the Mission has exceeded the PAAD target of $500,000 for small business--without considering that over 95 percent of the chicken feed made from CIP raw materials was purchased by small enterprises, amounting to around $240,000.

DESCRIPTION OF PRIVATE SECTOR PARTICIPANTS
LIBERIA COMMODITY IMPORT PROGRAM
BY TYPE OF USE OF IMPORT
(U.S. DOLLARS)

	BY SIZE		BY OWNERSHIP		
Type of Use	Small	Larger	Liberian	Other	Total
CONDUIT	333,620	239,081	391,748	180,943	572,701
MFG. RAW MAT.	96,673	1,627,686	230,883	1,493,476	1,724,359
RESALE	57,972	143,661	177,819	23,814	201,633
SPARES/INVEST.	17,500	628,909	359,326	287,083	646,409
SUBTOTALS	505,765	2,639,337	1,159,786	1,985,316	3,145,102
Not Classified:					
Liberia Bank for Development and Investment					27,147
St. Joseph's Hospital					64,251
Estimated Bank Charges					13,500
SUBTOTAL					104,898
TOTALS	505,765	2,639,337	1,159,786	1,985,316	3,250 000

Note: Numbers for small and larger add to the total at right, as do numbers for Liberian and other.

As can be seen on the above table, conduit organizations handled $572,701 of the private sector portion of the CIP, imports of raw materials used in manufacturing totalled $1,724,359, resale imports accounted for $201,633 and other classified imports (mainly capital goods and spare parts used in manufacturing) were $646,409. Imports through conduit organizations tended to be handled by Liberian firms, as did imports of capital goods and spare parts. Only a few Liberian manufacturers availed themselves of CIP imports. If the purchases handled by conduit organizations were split up among the other three categories, the amount shown for St. Joseph's Hospital would increase by almost $84,000, and the remaining $489,000 would be allocated to small firms, of which about $308,000 would be for Liberian-owned businesses. (This reallocation would not change the totals reading down.)

Allocations to Liberian firms represented 37 percent of the private sector's portion of the CIP. Since the most recent registry of firms in Liberia indicates that Liberian-owned concerns are around 28 to 30 percent of all firms registered in Liberia, the CIP allocated about 20 percent more resources to these firms than their representation in the total number of firms. Excluding those allocations through conduit organizations likely to go to individuals rather than registered firms (such as some PfP/L-coordinated imports) would not change this latter number appreciably.

24

"Liberian" is used in this section in accordance with the common parlance. Some ethnic groups are called foreigners, even if their families may have settled in Liberia several generations ago, such as many "Lebanese." On the other hand, members of some other ethnic groups are called "Liberian" even if not born in Liberia. Based on interviews and personal observation, the economic member of the evaluation team could find no substance to the widely-held belief that such "foreigners" controlled the economy or took unfair advantage of other groups in their business dealings. On the contrary, especially in small towns, "foreigners" worked hard to eke out an existence, often in trading. They would not be able to do this if consumers had better sources of goods and services. The reader will bear in mind, however, that these conclusions are based on a review of CIP-connected firms and rural market towns, and not of the "foreign" community as a whole and its relations with all other groups in the country.

F. Review of Allocation Decisions

In applying the allocation criteria, the PIC took many factors into account, including economic efficiency, the need for programmatic simplicity and clarity, and various established targets, such as the Zorinsky Amendment-mandated 18 percent of agricultural products and the PAAD target of making $500,000 available for small businesses.

1. Private Sector Allocations

The allocation criteria were faithfully followed and a good deal of common sense applied when tough decisions were needed to trim the original applicant pool down to manageable size and to make subsequent allocations. Very few recommendations on the private sector side were questionable; almost all were excellent. The PIC's decisions to limit financing for raw material imports to cover the same period of time for all approved applicants (about three months) and to provide roughly comparable funding to all applicants in a given line of manufacturing make economic sense, as did its decision not to approve financing when the foreign exchange cost of U.S. sources of a particular commodity was significantly higher than from other sources. The PIC also tried to assure itself that locally produced goods would not cost more than the same goods imported (i.e., it wanted to avoid situations in which there would clearly be negative domestic value added). It was leery of approving much funding for chicken raising and disapproved raw materials for battery production, both because of this concern. However, its decision to adopt a limit of $150,000 per applicant was apparently more for equity reasons than because it was convinced that smaller applicants would be more efficient users of imported commodities. Nevertheless, this decision made it easier to comply with the small business set-aside of $500,000 established in the approved design.

2. Public Sector Allocations

The allocation criteria issued for the public sector element of this program are sketchy (see Annex I). They correctly require local currency deposits of all participants--a measure that ensures that budgetary priorities within the organization are established and CIP imports judged against other needs. A review of allocations made under the public sector element of the program indicates that the letter of the established criteria were followed for all allocations. Except in two cases, it is apparent that the spirit of the objectives of the program was also maintained.

The demand study prepared as part of the PAAD design process surveyed three public entities (LTC, LEC and the Liberian Water and Sewer Corporation--LWSC) and found potential demand for $5.9 million in imports, of which $3.8 million would likely be sourced in the United States. The demand study and the PAAD itself anticipated that LWSC would not be able to participate in the program because it does not have sufficient revenues. As noted earlier, there are now six public sector entities participating in the program. LWSC was able to obtain just over half of the local currency and the USAID and the GOL have since agreed to provide local currency counterpart from PL 480 generations to cover the balance. Given that safe water is a primary health need and the quality of LWSC management places it among the best-managed public sector organizations, the Mission believes that this use of PL 480 currencies was better than most alternative uses. (This conclusion was not examined in any detail by the evaluation team.)

Two decisions do not seem to be in accord with general A.I.D. and Africa Bureau policies which favor private sector-led growth. The first was a decision to finance three buses for the University of Liberia at a cost of roughly $96,000. The second decision, not yet final, is for $100,000 of spare parts for seven garbage trucks for the Monrovia City Corporation. These allocations do not rank high in terms of the Mission's current country development strategy, nor with the strategy now being developed. There are three effects that stem from them. First, alternative uses of the funds are precluded. Several parastatals that are more self-sufficient could have received larger allocations in the program. Their operations affect many more Liberians of all income groups. Second, the allocations make it easier for the GOL to live outside the constraints caused by its fiscal policies. Granted that any public sector use of the CIP might have the same effect, but what priority does helping these institutions have in development terms, especially the University, whose operations are already heavily subsidized and affect only a small percentage of Liberians? The third effect is to allow the use of the CIP's limited foreign exchange resources for activities that permit the public sector to narrow the scope for private sector growth in Liberia--contrary to one of the main (albeit implicit) objectives of the program. The private sector is probably now fully capable of providing transportation services for students and faculty to the new campus and certainly would be if given enough advance notice of the possibility of this kind of business opportunity. Two participants in the private sector element of the program are in the transportation business. In addition, there are reportedly four private garbage collection services operating in Monrovia. Our provision of garbage truck spares to the city will enable it to rehabilitate seven vehicles and make it much more possible for the city to carry out its stated intention of installing a public monopoly in this activity. Even if it does not establish a monopoly, we should not be depriving private entrepreneurs of opportunities to expand their businesses.

Undoubtedly, many considerations entered into these decisions which are not readily apparent to outsiders, and only 4.3 percent of program resources are involved. Nevertheless, the evaluation will recommend that the impending Monrovia allocation not be approved unless some conditions are accepted to expand the private sector role in this business. In addition, no further allocations should be made under this program that would limit private sector growth opportunities.

V. Economic and Financial Impacts of the CIP Program

This section estimates the initial and ultimate impacts of the program, based primarily on empirical observations. These observations are drawn from personal knowledge gained in the course of the evaluation and before, and from interviews with knowledgeable observers of the local scene and with program participants, including importers and conduit organizations, such as the Small Enterprise Financing Organization (SEFO) and Partnership for Productivity/ Liberia (PfP/L), local PVOs, and manufacturers' representatives.

A. Basic Questions: Additionality, Fungibility and Windfall Profits

All of the net effects of a financial transaction are unknowable. To gain a fair idea of these effects, however, one must have a good idea of what would have happened without the transaction and of what happened with it. Even though it may be rather simple to gauge what the visible first-round impacts of a CIP are, it is difficult both to trace second-round effects and to estimate what would have happened without such a program.

First is the question of additionality. A CIP is supposed to increase the supply of foreign exchange by financing certain imports. In the case of this CIP, the design is unclear as to whether increasing the importation of certain classes of goods for certain economic actors would constitute attainment of the objective, or whether a simple increase in foreign exchange availabilities was sufficient to brand the program a success.

V1

An explicit objective of this CIP was to generate local currencies to be used to support civil service reform and support the private sector in the process. It is clear, so far, that the program has increased the supply of foreign exchange available for the importation of the kinds of goods handled by the program. Expenditure means that this is occurring. The program will continue to do this. The more important question is: What portion of CIP imports was additional to what would have occurred without the program?

The second question is fungibility. Some resources, like financial resources, are interchangeable. Once mixed, they cannot be distinguished from other like resources. Although we may know what happened to the CIP dollars, we do not know what happened to the money that no longer was needed for imports. It could have gone to capital flight, it may have been used for other imports, or it could have just increased the supply of foreign exchange circulating in Liberia (or sitting in local bank accounts). Once the question of additionality is answered, one has an insight into the answer to the fungibility question.

The third question was an issue at the time of program approval. It was thought that windfall profits were likely under the program because of the differential that existed between the official and the parallel exchange rates. Importers who had access to the official market for all of their needs would not seek to avail themselves of the CIP program, of course, but what about the wealthy importers who were reputed to run the export-import business and were influential at the highest levels of the public administration? How could A.I.D. guard against all of the obvious benefits of the subsidized rate going to the highest income groups in the country?

The evaluation uncovered no easy answer to these questions. Estimates are possible, although several stages of analysis are involved.

Most private sector importers interviewed said that they would have undertaken to import much the same commodities without the program. The quantity they could have imported would have been significantly less, however. In effect, they would have made fewer imports in the same time period. Most indicated that they had a certain sum of coins available for imports and would have imported the quantity that this sum afforded them.

In the case of these importers, the quantity that they would have imported can be approximated in the first instance by measuring the ratio of the cost of foreign exchange under the program to the cost of foreign exchange they otherwise would have faced. A rough average for the parallel market rate during the period in which private sector L/Cs were opened was 2.0 on-shore dollars per U.S. dollar. The cost of foreign exchange through the program was effectively 1.15, including bank charges of 15 percent. (At least some importers had to also pay the "currency use fee" charged by the GOL, but this will not affect our calculations here.) Given these relative prices, a given amount of coins would have purchased 1.74 times as many dollars through the program than through the parallel market and, at the same price of commodities, 74 percent more commodities. This may not have been the case for all end users, since they may not have needed all of the commodities their coins could purchase at the lower price of foreign exchange available under the CIP.

One very instructive example was found during the evaluation. National Milling Co. was able to bring in wheat at a price that made its flour affordable in the local marketplace. Its main competition is subsidized European flour. The company's representative said that, without the CIP, he would have had to charge about 15 percent more for his product. Under those conditions, he feared that most consumers, despite their preference for his company's high-protein flour and its acknowledged good baking qualities, would have chosen to reduce their purchases of his company's flour, and by much more than 15 percent. He believes they would have shifted more to subsidized flour and that his company would have imported about 40 percent less wheat at the parallel rate, as perhaps only 60 percent as much would have been needed for sales in the period covered by the CIP purchase. (The demand for this flour apparently has a price elasticity of about 2.7.) The local sales and, eventually, the importation of European flour would have increased, but by less than the decline in sales of his flour. The CIP program probably increased U.S. exports by about $380,000 of the total of $945,000 imported by National Milling. This increase was probably more than the European decrease. Thus, our CIP led to trade creation.

It is important to note that the Mission's decision generally to fund only part of the request for large applications and split up allocations among many applicants probably helped ensure that, in total, no fewer coins were spent than available and planned by importers. For any individual importer, this may not have been true, however.

The second factor to consider is the relative price of shipping. Shipping costs are higher for the U.S.-flag vessels normally required under the CIP than available from non-conference vessels. Containerized shipments cost about the same from both sources, but there is a big differential for break-bulk shipping (bulk commodities or shipments of less than a full container load). Break-bulk shipments of other than grain shipments cost about $320 per ton on non-conference lines versus about $675 per ton on U.S. carriers. According to CIP records, an average of 14 percent of L/Cs for importers using U.S. vessels was for sea freight, versus 8 percent for non-grain CIP importers using other vessels. Thus, for shipping on non-U.S. flag vessels, the rest of our importers could have purchased 6 percent more products.

Third, U.S. prices are generally higher than available from other sources for essentially the same commodities. (There may have been a quality difference in some cases.) Differentials of

10 to 15 percent were often quoted by CIP participants. To be sure, there also exist contrary cases, depending on the commodity involved. In general, it is probably safe to assume that about 10 percent more goods can be purchased for a given quantity of U.S. dollars from non-U.S. as opposed to U.S. sources.

Fourth, participating in the CIP involves other additional costs in time and money: more paperwork (this falls more heavily on the exporter); the time to fill out application forms, await an answer, and generally comply with our procurement rules (several price quotes, for example); and more frequent and lengthy delays for arrival of goods. Since import duties are paid on CIF values, importers are doubly penalized for using more expensive shipping. The cost of the average shipping delay, approaching two months on average but with wide variation, valued at an annual percentage rate of 12 percent, is 2 percent. Another 2 percent could be added for import duty increases because of higher shipping costs and purchase prices. And an additional 2 percent can be attributed to the time lost in ordering and otherwise complying with our regulations. In sum, perhaps 6 percent should be added for these costs.

It is easy to see why experienced commodity management officers estimate that private sector importers using the CIP end up paying 20 to 25 percent more for their imports under the CIP as opposed to normal commercial purchases.

The calculation of the net foreign exchange benefits to an importer from the CIP can be made on the basis of the above information:

Quantity of foreign exchange through CIP versus parallel market (exchange rate subsidy):	1.74
Times the decreased quantity of goods purchasable in the United States (higher U.S. prices):	.91
Times the quantity of imports still affordable after increased shipping costs:	.94
Times the effects of longer ordering times, shipping delays, higher customs duties, etc.:	.94
Equals: Net real foreign exchange available by using CIP:	1.40

In sum, then, importers participating in the Liberia CIP got an average of 40 percent more foreign exchange for their money. This means that they are that much better off in exchange for their having endured the A.I.D. hassle. It also means that A.I.D. could bump up the price of CIP foreign exchange in local currency terms by 40 percent--if we wanted to eliminate the differential benefit of using our foreign exchange. This would take the rate to 1.51, including the bank charges of 15 Liberian cents per U.S. dollar, based on the current parallel rate of 2.15. If the parallel rate goes higher, our rate would have to be proportionally higher. We could also undertake several actions outlined in the Commodity Management Specialist's report (Annex F) to offset some of the cost of doing business under A.I.D. rules. Of course, if the parallel rate goes down, our rate should also move down proportionally. Increasing our rate would decrease the chance for windfall profits, but it would also decrease the likelihood that CIP-financed imports are additional and increase the chance that program resources simply substitute for other financing.

All of the above is a prelude to answering the three basic questions. First is additionality, to which one key is comparing what happened with what would have happened were there to have been no CIP.

It is logical to start by assuming that all, or virtually all, public sector imports facilitated by the program would not have occurred in its absence, except for part of the LTC portion ($375,000). LTC is a special case. After the allocation was approved, the Mission found out that LTC has significant foreign exchange revenues, 26 months of which it has mortgaged to repay an improvement program now underway. Our financing allowed LTC to mortgage its future foreign exchange revenues for a shorter period of time, but it had to pay coins up front into the CIP Special Account. The deposit paid for imports that were cheaper by at least 40 percent in local currency terms than if the same amount in coins had been used to buy foreign exchange at the parallel rate. It is therefore logical to assume that at least $140,000 of LTC's CIP imports were, in fact, additional. Adding this figure to the rest of the public sector portion of the program, we can estimate that around $1.10 million of public sector CIP imports were additional. This is about 83 percent of the amount made available for public sector imports.

On the private sector side, we can safely estimate that about $380,000 of National Milling's imports were additional, as discussed earlier. We can also estimate that, at a minimum, 40 percent of the remaining private sector imports, or $930,000, were additional, under the assumption that this is the greater amount of imports possible under the CIP (even adjusting for the costs of A.I.D. rules and higher U.S. prices). As a first approximation, then, we can calculate that there were additional private sector imports in the amount of at least $1,310,000 including those of National Milling. But we also know, based on interviews with program participants, that most importers typically think in terms of CIF prices. They tended to use the CIP for those items that were cheaper in the United States, or maximize the purchases of items that were relatively cheap there (from among all of their import needs), or got a higher quality good than they would have settled for from other sources. The impact on additionality of these considerations is difficult to quantify, but there must have been some additionality involved.

31

For purposes of this analysis, an additional five percent must be a reasonable and conservative figure in this case. Using that figure would add around $115,000 to our sum. Some importers told us that our subsidy made new imports financially feasible for them, allowing them to import something they would not have undertaken without the special exchange rate. These involved relatively small amounts, however, totalling about $200,000. To adjust for these cases, the 60 percent of this amount not added earlier must now be included, adding $120,000 to the total. This would bring total additional private sector imports to $1,545,000, some 48 percent of that made available for private sector imports. Summing the total additional imports estimated for the public sector ($1.1 million) and the private sector ($1.545 million) gives a total of $2.65 million. This represents 58 percent of the amount available for imports, i.e., excluding the administration part of program funding.

This is a conservative estimate. The difference of $1.95 million is, by subtraction, the highest possible amount of other resources owned by the participating importers that expenditure of CIP funds could have freed up for other uses. It is also the maximum amount that would be of concern because of money's fungibility. Theoretically speaking, alternative uses could be such legitimate uses as business and personal imports, or they could take the form of capital flight, among other possibilities. Unfortunately, the evaluation was not able to shed any definitive light on what might have happened to the freed resources.

There is reason to believe, however, that these resources were used for imports first and foremost, if not exclusively. All businesses surveyed during the evaluation said that the greatest single impediment to expanding their operations was the lack of foreign exchange. This may have to be interpreted as saying that the lack of cheap foreign exchange was seen as the main obstacle, but all surveyed firms knew exactly what they would do with more foreign exchange. It is not unreasonable to believe that all foreign exchange freed up by the program was, in fact, also used for imports. It is also not unreasonable to believe as well that such sums could have been used for purposes less in keeping with the objectives of the program.

More can be said about the possibility that our program enabled massive windfall profits for the few people who were awarded access to the preferential exchange rate made available through the program. There are three reasons to believe that participants did not significantly increase their profit margins. They may not have been able to increase even total profits.

First, those who are very well connected politically would have had access to even cheaper foreign exchange through the National Bank of Liberia (NBL). They would not have participated in the program, because its resources were more expensive than through the NBL. To the extent that the NBL could not satisfy importers' foreign exchange wants, they would be free to look elsewhere, including the CIP. Some participants, in fact, had such access in the past, mainly well-established businesses owned by old-line families. All applications were subjected to the same criteria. The evaluation found no private sector applicants whose award seemed to be made on other than technical grounds.

Second, the program was administered in such a way as to minimize the chances for price gouging. A major reason why the program approved few applications for goods for resale was the concern about windfall profits. Further, commercial entities that served as conduits for end users were required to charge only their normal Liberian dollar profit. They were paid for their services, but were required to pass along all the benefits of a preferential exchange rate to the end users.

The third reason for believing that importers did not unduly raise their prices is that price controls do exist, even if applied only unevenly. They cover a lengthy list of commodities that use imported materials and on certain goods imported in finished form. The controls are not on the actual selling price, but on the mark-ups permissible at the wholesale and retail levels. The mark-up rates were negotiated originally with the commercial sector. It is true that the GOL is not able to enforce these controls in all instances and that not all participants in the program are engaged in activities subject to price controls. However, for major basic products, the office charged with enforcing the price control regulations is at times reluctant to approve margins as large as those that appear in the regulations. Fortunately, they are realistic in accepting the actual cost of foreign exchange rather than insisting that foreign exchange is available at the official price. As discussed in the following section on the economic effects of the program, several of the manufacturers participating in the program have reduced their prices below the legal maximums in an effort to retain or expand their market share.

In addition to importers of resale goods, other participants also could have benefited from the implicit exchange rate subsidy (estimates above at 40 percent). All transactions were scrutinized and, taking into account interview information, estimates prepared of potential windfall profits. The total involved in probable windfall transactions was about $500,000--of which probable windfall was $200,000. This is 6 percent of the private sector element of the program. But it was a concern at that time--when the parallel rate was only about 1.5--and remains a management concern to the Mission now that the parallel rate is 2.15. Given the experience to date under the program, it is clear that the cause for such concern being realized in practice is significantly weaker than had been supposed earlier, for all of the above reasons. Indeed, there is more evidence to support the view that much of the potential profit was passed along to consumers in the form of lower prices rather than staying with importers as producer's surplus.

B. Economic Effects

There are many effects in CIP programs that affect microeconomic and macroeconomic variables. Some are best grouped according to their impacts on output or input markets, while the rest can be treated with other development effects.

1. Output Markets

The first obvious effect of the Liberia CIP is that it facilitated an increase in total economic activity. The impact is small, but it is important to know that the program had a positive effect on production. There will be multiplier effects as first round effects work their way through the system.

The program had an influence on the level of competition that was positive, on balance. Several importers of raw materials commented that they were able to reduce prices below what they would have been in the absence of the CIP. This enabled them to prevent a loss in market share to imports of finished goods or expand their share of the market against imports.

This was true for the plastic shoe industry, for example. The owner of the only local firm in the business said that his company had a wholesale price of $9 per dozen pairs of shoes in 1985, when the company was operating under a tax holiday and had a virtual monopoly on the local market. Now, despite the on-shore cost of foreign exchange having doubled, his price is only $12 dollars for the same style shoe. He cut his prices about a dollar a dozen as a result of the CIP. He reported that competition from manufacturers in the Ivory Coast in particular is especially fierce. A similar story of price cutting was told by both members of the aluminum window/roofing sheet industry who participated in the CIP, for whom real prices in foreign exchange terms have fallen by around 15 percent. Their problem was not imported finished goods but competition with each other and against other uses of the consumer's dollar--which are many in a country just now recovering from years of decline, as is Liberia now. The strength of competitive forces was confirmed by the importer who fabricates galvanized steel roofing sheets. Likewise, the operators of the oxygen plant imported under the CIP said that they were able to set the per-bottle price of their oxygen, which is 99.5 percent mositure-free, at $35, whereas before they started this plant, the price in Monrovia had been $60--and that for oxygen that was only 85-90 percent moisture-free (they said). This firm seems to be the cause of the competition, however, not some indirect, unidentifiable market force. Perhaps it is because the owners are of Indian extraction and came to Liberia only recently that they may feel freer to launch competitive wars than would more established firms. Whatever the cause, the effect is the same for as long as it continues.

The effects by sector are difficult to discern, except between the private sector and the public sector and between local manufacturers and importers of finished goods. Since most of the entities using funds made available to the public sector provide products/services for both productive enterprises and households (potable water, telephone, and electricity, for example), the effects are not contrary to private sector growth and individual well-being. Nor were these areas which are likely to attract much private sector investment (except LTC, perhaps, depending on how it is sold). Nevertheless, as mentioned earlier in the discussion of public sector allocations, not all allocations there were equally neutral to or as favoring of private sector growth. But it is clear in the private sector portion of the program that local manufacturers were favored over importers of finished goods--and by a wide margin. Program statistics show that resale items allowed in the CIP were less than seven percent of the total, with a net advantage to manufacturers of $2.7 million. The few exceptions that were made to not accepting applications for resale goods were based on the fact that such imports would be made at prices charged by manufacturers to their representatives, which are known to be lower. This saves foreign exchange for Liberia.

Within various lines of manufacturing, the PIC adopted the objective of approving applications from all interested parties in a particular line if presented, and to make sure that about the same percentage of annual requirements were provided. This had the effect of not changing the competitive position within the industry. Of course, some lines had only one applicant, but there was not much that the PIC could do about that.

In terms of prices, the CIP did, in fact, affect the relative prices between participants and non-participants, especially between manufacturers and importers of finished goods. Theoretically, this could have had the effect of supporting "hothouse" industries, that is, those that would not have existed or survived without the preferential exchange rate. The only protection that is possible in making decisions like those that had to be made in this program is to be sure that the industry did not have negative net value added at border prices. As mentioned earlier, batteries and possibly poultry were the only examples found where this was thought possible. Since poultry was a close call, the PIC decided to allow imports to support that industry. It would be worthwhile to track the consequences of that decision to see what happens to the industry in the future to see if it is really a negative value added industry as alleged or a positive value added one, as would be consistent with the widespread raising of chickens in this country. This does raise the question of whether a country should take advantage of subsidies other countries attach to the production or export of some commodities. Their consumers would be better off if they did.

2. Input Markets

According to the survey of CIP users, employment effects were small. Manufacturing is not an efficient user of foreign exchange in Liberia. Most of those who responded to the question said that the CIP commodities accounted for 60 to 70 percent of the price of the product. While this probably is an adequate answer if the question had been cast in terms of total costs, it still indicates that industries, especially larger establishments, are not very intensive users of labor. This confirms observations made in other studies, and it may be true even though it is probable that more labor is used per unit of output in Liberia than in more advanced economies.

Respondents also reported that there were few backward linkages beyond labor and public utilities (especially energy) and few forward linkages except for materials produced under the CIP for construction.

Overall, the effect of the program was to reduce the cost of capital relative to that of labor. The only check on this that might be possible with a CIP that is not confined to already intensive users of labor (such as most agriculture) is to try to avoid improving the labor efficiency of capital over that already in country. Of course, some technologies are not available in labor-efficient and capital-efficient versions. Much of the technology that is available on the world market is already embodied in specific machines, with only one capital-labor ratio.

A review of program files showed that no technologies that changed capital-labor ratios were introduced under the program with two relatively minor exceptions. First was the oxygen plant--a new company, and second was the brake reliner machine--a new product (service) line at an existing establishment. Neither is new to Liberia, however, and the first added to competition in the economy. The evaluation concludes that there was nothing the program implementors could really do to affect labor usage in the country within the present design. The evaluation will recommend that agricultural production be given higher preference in follow-on programs.

3. Other Development Effects

Three topics need to be addressed in this section. First is the question of whether the program can be judged a success in terms of its own objectives. Second is the question of the geographic spread of the program, an element in the legislatively-mandated list of concerns in the design and evaluation of ESF-funded CIPs. The third topic is the most important, dealing with the policy implications of the CIP program as a whole for the course of Liberian development now and in the future. All three topics will yield suggestions for future programs.

Before proceeding to these topics, one area must be discussed. The evaluation team was unable to gather sufficient insights on whether the program led to trade creation or simply diverted trade from normal sources of supply to alternative ones. Anecdotal information suggests that some trade creation occurred, but most imports probably either had no affect on trade patterns or resulted in trade diversion. Because of the evaluation's inability to answer this question more definitively, the subject will not be treated further.

Accomplishments Versus Objectives. The primary purpose of this program that was not overtaken by events subsequent to PAAD authorization was to support private sector growth. The program was to have done that by providing the quick-disbursing foreign exchange resources believed to be needed to enable the private sector to survive the overwhelmingly negative business conditions in Liberia and engender greater confidence in the economy. Negative business conditions were traceable for the most part to inappropriate economic and financial policies and management in the face of weak markets for Liberia's major export products. Quick disbursements were thought to be the key to achievement of this purpose. Judging by remarks made by persons interviewed during this evaluation, the program was instrumental in raising business confidence, even in those applicants who were turned down. One successful applicant even said that the CIP came at a time when he was contemplating closing down the firm that received CIP resources. In addition, the announcements made at the initiation of program implementation contributed to an immediate drop in the parallel exchange rate, on the order of 30 percent (from 2.35 to 1.65 Liberian dollars), on the heels of a sharp increase the month before. No doubt other factors also contributed to this decline, but the influence seen by several interviewees was clear. One should not overestimate the contribution of the CIP to recovery, but there is clear evidence that supports the hypothesis that the program was successful in raising business confidence in the economic future of the country at the same time that it provided an important level of resources to act on that optimism.

This program was useful at the time it was being negotiated in supporting the OPEX project aimed at improving macroeconomic and financial policies and management. The condition precedent that required the arrival of the first group of OPEX experts was well chosen. That was the primary initiative then or since of any development organization to help Liberia improve its performance in these areas. The fact that the OPEX effort was not successful does not mean that the CIP did not effectively play its part. The program cannot be judged a failure on this account, even though this was the first stated objective of the program.

The second objective overtaken by events was to provide a mechanism that would generate the local currency needed to support implementation of civil service reform. Generated monies were to be used to fund severance payments to retrenched civil servants, since the GOL did not have sufficient revenues to undertake this portion of the program. At the time the high-level agreements for supporting policy reform were reached, the A.I.D. Administrator also offered to seek additional PL 480 funds for Liberia to serve the same purpose. A second $5 million of PL 480 resources was provided in FY 1987, bringing the total to $10 million that year. This level was continued in FY 1988 on the premise that civil service reform would proceed apace. It did not. Again, however, the CIP cannot be said to have been unsuccessful because a reform effort it was to have supported ultimately failed. On the contrary, it can be successful in supporting other development objectives. It has, in fact, generated a substantial sum of local currency that will be used for development purposes. At the time this evaluation was being completed, the USAID was considering various options for the use of these funds. While these uses cannot be evaluated yet, several suggestions and guiding principles are offered in the recommendations at the end of this paper.

Geographic Spread. There were clear trade-offs in the course of program implementation between quick disbursements and increasing the geographic spread of benefits. Most users of imported commodities are located in Monrovia and, to a lesser extent, in a few other population centers rather than in small towns and villages. The Mission chose the former over the latter because it was more consistent with the program's objectives. Almost half of the CIP private sector program went to end users outside of Monrovia (this includes the large allocation to the National Milling Co., whose milling facilities are located in Buchanan), as did one-fourth of the public sector portion. Now that the business community has more or less well adjusted to macroeconomic policies and the markets for Liberia's exports have picked up, it would be appropriate to look once again at geographic questions. There are several changes that could be introduced in any follow-on CIP program to increase the chances that it has beneficial impacts for a wider segment of the population and make better use of Liberia's labor force. The recommendations will address this issue.

Policy Concerns. It is clear that the CIP has allowed the continuation of inappropriate economic and financial policies and management by preventing a further deterioration in business confidence, the parallel exchange rate and employment and production. Our resources have made it easier for Liberia to patch together short-term solutions to on-going problems rather than face up to the task of thinking through and implementing the kinds of far-reaching changes that would re-orient basic policies in these areas. This was not intended explicitly, but was rather a natural consequence of providing macroeconomic support to the country. In particular, the participation of the public sector in the program had a direct effect in this direction.

A.I.D. was not incorrect in authorizing the CIP. This issue was brought up at Africa Bureau reviews of the proposal and was recognized at the time to be an unavoidable consequence of the program whose importance would vary according to the success of the program. It is easy to see, now that program implementation experience and the passage of time have allowed an appraisal, the overwhelmingly positive impact the program has had in terms of its own objectives--and on the ability of Liberia to sidestep more thorough adjustment measures.

There is no reason why A.I.D. should continue the public sector portion of the program in the future. There will be costs cost associated with this re-orientation, of course, especially for those public entities who have been benefited by the program to date and for their customers. For A.I.D., it is a simple question of priorities. Should it use all of the rather limited means at its disposal to attend its highest priority objectives, or should it diversify its portfolio? To a certain extent, present strategy incorporates the decision that A.I.D. should use its resources to hold things together in basic development service areas of greatest importance to the majority of Liberians, such as health and education, until a better policy climate appears. The Mission proposes to work in those areas to strengthen private sector alternatives to public sector-based approaches to providing these services. The logical extension of that approach would be to exclude public sector participation in future CIP activities. The evaluation will so recommend.

C. Financial Effects

Some effects of a CIP program are felt for the most part through economic variables, whereas others are of greater financial importance. This CIP has many effects that fall primarily into economic areas, even when they have financial aspects to them. Others are more concentrated in the financial area. Foreign exchange rates, government revenues and absolute (not relative) price levels are three that are, in this case, more clearly in the financial area.

1. Foreign Exchange Markets

Evidence was found to support the view that psychological factors were in play in the market for foreign exchange when the CIP was announced. The evidence is slim, but tantalizing. Some of the strong reaction in the market to the announcement of the CIP program, as described earlier, was apparently due to the mistaken information that was current in the media (based on press releases) that the United States was providing $16 million for commodity imports for Liberia. While this was the size of the entire program as designed, only $5 million was made available in the initial agreement and, of that, only $3.25 million was for private sector imports. The drop of about 30 percent seems too much for even $16 million being added to the supply side of the market (or subtracted from the demand side), unless the market is a very thin one. Thin parallel markets are not uncommon, of course, but Liberia was thought to be exporting around $100 million per year in private capital at the time and had probably done so for at least two years. These funds should be seen as tappable, if profit opportunities arose, at least to the extent that they were being held outside the country in relatively liquid form as a store of value. Perhaps some of these funds did return in April after the rate jumped the month before. Perhaps they account for some of the decrease the following month. Several active participants in the parallel market told the evaluation team that the announcement of the CIP broke the upward expectations that had ruled the market and led to the large jump the month before. Whatever the strength of its contribution, our foreign exchange resources can reasonably be held to have helped bring down the parallel market exchange rate at the time.

The questions that have to be addressed for future programs are the size of the parallel market now and how it will react to a moderately-sized follow-on program. Answers to these questions would be useful in setting a market-clearing rate to be used in designing and implementing such a program.

According to information gathered during the evaluation, most estimates of the size of the parallel market were that it is around $65 million per year. Some sources estimated it as high as $80 million, but others thought $50 million was more likely. If this information is correct, a $10 to $15 million annual injection would be significant and would affect the market more than marginally. The evaluation team could find no empirical evidence regarding the price elasticity of demand for foreign exchange in Liberia. Assuming that it is unity over the relevant portion of the demand curve and that the size of the market otherwise is $65 million per year, a $10 million program could be expected to decrease the parallel market price of the U.S. dollar by about 15 percent, from the present 2.15 to around 1.82. This assumes that none of the imports financed by the program are additional and that our financing simply substitutes for other resources. The effect on the parallel rate, given several combinations of market size and elasticity and assuming no additionality, can be shown as follows in the case of a $10 million CIP:

		Market Size ($ million/yr.)			
		$50	$65	$80	$100
Price Elasticity of Demand	1.0	1.72	1.82	1.88	1.94
	1.5	1.51	1.65	1.75	1.83
	2.0	1.29	1.49	1.61	1.72

This topic is of sufficient significance that it should be examined in greater detail as part of the design effort for any new CIP program. Any import additionality would decrease the

10

adjustment that should be made because it will decrease the elasticity by its relative amount. Once a rate is decided on, the proportional factor to adjust for the costs of A.I.D. procedures should be applied to it.

One must bear in mind that a CIP, depending on how it is designed, could free up more or less foreign exchange than the present program did. This is an additional factor that would have to be adjusted for in future CIPs. Presumably, those portions of CIP directed to rural end users and to people who without any local currency credit we might make available to them for the purpose would not be able to afford imports would be more likely to add to imports than would the rest of the CIP.

B. Government Revenues

The CIP led to an increase in the base for government revenues. Import duties would increase to the extent that the program led to more dutiable imports, as would associated fees. Income taxes should increase to the extent that the activities supported by the program were profitable and should be ascribed to the program in proportion that it enabled their expansion. Increased excise taxes chargeable on the sales by local manufacturers of their products should be attributable to the program to the extent that it led to a net increase in the sales of participating firms.

The amount of revenue base increases will depend in part on the extent to which participating firms operate with or without tax holidays or imported products which were dutiable or not. While the evaluation team did not have sufficient time to prepare detailed estimates of potential revenue increases, order of magnitude estimates were possible.

Total imports financed for private sector importers were essentially $3.25 million. Of this, a minimum of $1,545,000 was estimated to be additional to the imports that would have occurred in the absence of the program. If these imports were dutiable at an average effective rate of 20 percent, including associated fees, the program can be held to have led to increased revenues of $390,000. This makes allowances for some items being duty-free for all or some importers.

Second, corporate and partnership tax rates are progressive, reaching 50 percent on incomes above $100,000. Since the largest amount of imports financed under the program was for large concerns, tax revenue increases should be relatively strong. However, some CIP-financed imports were for smaller concerns, and some large firms could have taxable income below $100,000. Therefore, the income tax revenue impact of the program was probably at an average rate lower than the top marginal rate. If 35 percent would, on average, be the applicable rate, then the program should have induced additional income tax revenues of $110,000 if importers earned an average profit margin of 20 percent.

Excise tax increases associated with the program would be on the order of $100,000 if local value added amounted to 30 percent of the value of imported commodities.

In sum, it is possible that somewhere on the order of $600,000 in extra GOL revenues were made possible by the program. This is equal to almost 20 percent of total private sector imports financed under the program. If public sector concerns import some items directly instead of continuing to purchase the same commodities from local merchants whose profits are taxable, some reduction should be made from the above estimate. On the other hand, if the program induced other imports not accounted for above, total revenues would be proportionally greater.

3. Market Prices

The operation of the CIP impacted on the domestic price level directly. It provided a cheaper source of imported goods (for which this evaluation contends that savings were largely passed on to consumers) than would have been possible otherwise. The mere fact that imports increased also reduced inflationary pressures in the economy by expanding the supply of goods available for purchase. In addition, the price level was affected indirectly when the program in effect froze an appreciable portion of the money supply, starting from the dates that individual local currency deposits were made before L/Cs were opened. These funds will remain frozen until expended for development purposes.

V. Management of the Program

The Commodity Management Specialist's report (Annex F, the Program Management Evaluation Report) provides a review of the CIP management structure and operations that conclude that the CIP is demonstrably well-organized and managed. The evaluation has determined this to be so at its current funding level. The evaluation has also determined that the CIP is fully capable of assuming a much higher percentage of the Mission's resources if an increased CIP funding level is thought appropriate. All in all, the Liberia CIP was found to be very healthy. His specific recommendations are:

1. The Mission should review the issue of opening the program to more local banks. It is imperative, however, that any additional banks be able to properly record and account for L/C openings, amendments and disbursements. This is because AID's own ability to record disbursements is hampered by slow posting, frequent inaccuracies and late reporting to the Missions. The ultimate basis of accounting for Grant activities is the "former W-214" Report which still has no official number but which is called the Status of Disbursing Authorizations Report which is part of the new FACS System. The report arrives

in the Mission anywhere from 4 to 6 weeks after preparation and contains information that is usually one month out of date. A review, therefore, of Liberia's CIP disbursement rate must include the realization that official records are 2-3 months out of date and often inaccurate, thus obliging a review of bank statements as a way to keep track of program progress. The crunch usually comes when the Program Manager attempts a close-out exercise to deobligate unused L/C amounts in order to recycle them into new procurements. This can usually be done as long as bank accounting is timely and accurate--the only remaining problem being a de facto changeover from disbursement accounting to accrual or other system to properly monitor program progress. With what is essentially a commercial import program, L/C opening is a good indicator of progress. Thus, the Liberia CIP, with 99 percent of its funds already committed to L/Cs, has progressed very rapidly.

2. The Mission should investigate the possibility of using counterpart funds to assist the GOL in adopting measures designed to support the private sector. This could include temporarily picking up some of the revenue shortfall were the GOL to reduce import duties on raw materials and intermediate goods. The funds could possibly be directed to such areas as the PL 480 account shortfall in this case.

3. The Mission should also bear in mind that because import duties are imposed on the CIF value of goods, an importer is doubly penalized by using vessels of U.S. flag registry. In one case, a CIP-financed paper products transaction would have cost $16,000 on a non-U.S. flag vessel but cost $31,552 on a U.S. flag container vessel. Thus, not only did the importer pay a $16,000 premium in freight, he also paid an additional $4,000 in customs duties. The implications involve maximizing the use of break bulk cargos as well as including this issue in any future discussions on the windfall issue.

The Mission should determine whether it would be practicable to use the Egypt tactic of relieving the importer of the requirement to pay full counterpart equivalent for U.S. freight but rather to pay a lesser amount based on the difference in cost between U.S. and foreign-flag freight.

4. The CIP office should be relieved of any responsibility on questions of the Counterpart Fund once the coin has been generated. Programming the use of counterpart funds is usually the responsibility of the Program Office, with accounting handled by the Controller's Office. The CIP office, however, should be an active petitioner for counterpart, particularly for private sector encouragement and privatization activities.

5. The Mission should reevaluate the question of using the CIP as a credit activity because credit could enfranchise a greater portion of the productive sector which otherwise has no

other source of credit at present. Certainly, at least one quota of the next CIP funds should be allocated to PfP/L and SEFO activities.

6. The importers should be instructed to obtain a "suitable number of bids" rather than "3 bids" because the chances are that wider contact in the supplier community will not only provide a better picture of the U.S. market but will probably result in better prices. The strong temptation with the 3 Bid Rule is that eventually the importer will get one valid bid and two false bids and play the overpricing/capital flight game.

7. The Mission should consider moving the CIP exclusively into the private sector, thereby signalling the GOL of our displeasure with public sector activities and our belief that the GOL should be assuming fuller responsibility for its own operations and parastatals' activities.

8. Before beginning a new CIP, the Mission should agree that the Controller's Office should handle end use monitoring. Operationally, it is handy and very efficient for one office to be responsible for a complete activity. However, from an administrative point of view, such an arrangement can lead to inadvertent abuses that can be avoided if another office assumes responsibility for only one element of the program. If the one element is end use monitoring, the Controller's Office would be indicated. It would do a complete review of each transaction file and consequently see any problems that may have occurred inadvertently.

V. Recommendations

A. Findings:

1. The Liberia Commodity Import Program 669-K-609, Project 669-0214, is meeting those of its stated objectives that events since the design of the program have left current: it is providing effective support for the private sector and reducing foreign exchange shortages, and it has contributed to restoration of the private sector's confidence in the economy.

2. While the program has not been successful in achieving the Mission's ultimate policy dialogue goals of improved economic and financial policies and civil service reform, it was useful at the time it was being negotiated in encouraging the GOL to start implementation of the OPEX project. It is, however, generating the local currency needed to support development activities in the future.

3. The program is being used in a consistent, economically efficient way. It contributes in a cost-effective manner to the broadly based long-term development of the economy. Special attention was paid to maintaining competitiveness within sectors of the economy participating in the program.

4. The program also is being managed efficiently according to standard measures of CIP management (such as commitment and expenditure rates). There is cause for concern regarding the ability of some approved applicants to provide the local currency required for their purchases.

5. Although the economy still has to overcome completely the full effects of Liberia's poor economic and financial management policies, the private sector has been able to adjust quite well to current realities (as have segments of the public sector, to a more limited extent).

6. The private sector--both commerce and manufacturing--is vibrant. It is also highly competitive. Local manufacturers have to vie with imports and try to reduce costs to the bare minimum. Efforts to maximize profits often take the form of high sales volumes and low profit margins.

7. With good policies and honest administration, a reduced public sector could make a real, positive contribution to growth and development. Nonetheless, it is unclear that Liberia will be able, in the near future, to undertake the sharp reordering of priorities and Herculean administrative efforts needed to become current on its official external debt and thereby regain access to increased development financing. The public sector will probably find a way to get by for as long as the private sector remains relatively healthy.

8. About three-fifths of the imports approved for financing under the CIP probably would not have occurred in the absence of the program. An estimated 83 percent of public sector imports and 40 percent of agricultural product imports were additional. An estimated 50 percent of the remainder was additional.

9. The program is being administered in such a way as to fully meet the objectives embodied in U.S. legislation for such programs, although plans for the use of local currency are not finalized and therefore could not be evaluated. (Local currency uses are to be evaluated, according to the legislation.) Spare parts are approved only when they are likely to be used in a productive way; imported commodities are largely for high priority development areas, although some public sector imports are of lesser priority; agricultural production activities are receiving an appropriate share of available financing; there is good geographic balance, despite limitations due to the concentration of industrial activity in Monrovia; and, as stated above, the great majority of imports are believed to be in addition to the imports that would have occurred without the program.

10. U.S. exports were especially favored by the program. All commodity sourcing was from the United States. Normal trade patterns would lead to the expectation that only 25 percent of

Liberian imports would have come from the United States. In addition, U.S. flag vessels were used for virtually all imports except the agricultural products. Determinations of Non-availability (DNAs) were issued sparingly. The high use of U.S. flag vessels had negative implications for importers, their customers and the program as a whole.

11. Not all of the increase in U.S. exports represents trade diversion in the longer run, because some importers simply increased the amounts they bought now from the United States and will decrease the amounts they will buy in the future. The amount of such purchases is estimated at around $250,000--a minimal sum in any case. Some trade creation occurred.

12. Windfall profits are estimated to be relatively small. Looking simply at the ratio between the parallel and CIP exchange rate would lead one to expect that such profits could be as much as 74 percent of program resources. The scope for windfall profits is much more reduced in reality. Such profits were possible only to the extent that there was a subsidy in the effective exchange rate, which this evaluation puts at roughly 40 percent. It was recognized at the time of program design that the possibility of windfall profits would be greatest among goods imported for resale. This was one of the primary reasons why resale goods were accorded low priority vis-a-vis other classes of goods in the allocation process. Such resale goods therefore accounted for only $200,000 of total allocations. Since it was recognized that other participants could also benefit from cheaper inputs, all transactions were analyzed to determine which were likely to lead to windfall profits. The preliminary results were combined with information from interviews, which had revealed that some of the largest raw materials importers cut prices to meet competition. Taking these pieces of information together, the evaluation concluded that probable windfalls were about $200,000, some 6 percent of the private sector program and 4 percent of the entire program. While this is not a large number, raising the exchange rate used in future CIPs would reduce the scope for windfall profits. Doing this would have the effect of reducing additionality, however.

13. The weakest portion of the program is that dedicated to the public sector, for two reasons. First, one of the six public sector institutions approved for participation in the program was slow in providing the local currency required to open its letters of credit. It eventually got PL 480 currency intended for the Development Budget. Second, the development rationale for providing three buses to the University of Liberia and possibly spare parts to rehabilitate seven garbage trucks for the city of Monrovia is not clear. Although many considerations apparently entered into the decision-making process for these transactions, these institutions will now be in direct competition with existing private sector providers of these services. These uses of CIP resources come at the expense of alternatives, even in the public sector, that would not decrease the opportunity for private sector growth.

14. The chance that the program contributed to private capital flight is thought to be small, although available evidence is sketchy. Estimated capital flight in 1985 and 1986 was around $100 million. The economy has improved since then, opening up new profit possibilities. Stability of the exchange rate since the initiation of the program more than a year ago is not inconsistent with lower demand for foreign exchange for flight capital purposes.

15. In terms of macroeconomic effects, the program has had a positive impact on production, the public sector revenue base, employment (somewhat), and price stability. In microeconomic terms, the program contributed to more competitive markets among local producers and between local manufactures and imported finished goods. Several participants who have since made imports on strictly commercial terms said that our program enabled them to weather very tight times and may have saved their firms from bankruptcy.

B. Recommendations:

1. The CIP program should be continued if it is limited to the private sector and if the changes of the sort given in the following recommendation are adopted. While the present program has, in fact, made it easier for inappropriate financial and economic development policies to be continued (to the extent that CIP financing is not additional but substitutes for other resources), it has also made a valuable contribution to economic growth. Some of its benefits accrued to the general population, the level of additionality was quite high and estimated windfall profits were quite low. The program's private sector element can be expected to continue to have a substantial impact even if continued in its present form. A continuation that incorporates a strengthened private sector element would be justifiable on development grounds.

2. Three measures would strengthen the program's development impact and its development rationale. What is needed for broad-based development, as opposed to simple economic growth, is a better focus on increasing the productive capacity of the typical farmer and smaller entrepreneur. First, the Mission should look for ways to increase the proportion of CIP resources going to support agricultural production and marketing, perhaps through intermediary organizations such as PfP/L. Second, the Mission should look for ways to increase the proportion of CIP resources dedicated to micro and small-scale entrepreneurs. Third, it should seek to refrain from financing the importation of raw materials and capital goods used to make products unlikely to be affordable to Liberians in the lower half of the income scale.

3. The Mission should make two other changes in the design of any follow-on CIP to make greater use of market-based allocation criteria and thereby augment the efficiency with which resources are used. First, no size limit should be placed on

allocations. Each transaction should be judged on its own merits relative to other requests. However, for this measure to have its intended effect, sufficient publicity would have to be undertaken and time allowed for applications from rural-based entrepreneurs to reach the project. Second, the implicit subsidy built into the exchange rate used in the present program should be reduced (see Recommendation No. 10).

4. The Mission should consider designing an integrated project (in addition to the program assistance recommended above) for micro, small and medium enterprise development that would provide foreign exchange for imports using a CIP mechanism and fund technical assistance and policy and other development studies. The project should also make local currency credit available to micro and small-scale businesses, and to those medium-size businesses which do not now have bank credits. This credit would be for working capital and fixed assets. Market rates of interest for such enterprises should be charged. Such rates are substantially above rates charged by commercial banks and subsidized lending programs. Subsidies should not be hidden in low interest rates. Business training should be provided to prospective project beneficiaries and business advisory services to all participating businesses. Ideally, an existing institution would be used. It will need strong outreach and financial management capacities. Strengthening an existing institution to these standards would be more cost effective than trying to establish a new organization.

5. This kind of project would not require all ESF funding that is currently programmed for Liberia from FYs 1988, 1989, and 1990. The CIP elements of the project could be in the range of $1.0 million to $1.5 million, but likely demand would need further investigation in the course of project development. The funds not used for this project could well be used for a continuation of the current program, hopefully as modified in accordance with recommendation 2.

6. The Mission should address which activities currently being carried out by PfP/L and SEFO should continue to be financed from the CIP and which should be incorporated in the SME project proposed above.

7. In designing its future program and project assistance activities, the Mission should seek several policy changes to aid SME development. Based on the preliminary results of the SME study and observations gathered in the course of this evaluation, appropriate policy changes to this end include: the equalization of import duty rates among raw materials, capital goods and finished goods; equalization of total effective taxes and fees--annual registration fees, income taxes and excise taxes--across similar businesses (across all businesses would be preferable); and demonopolization or privatization of wholesale trading in agricultural products entering international trade (primarily coffee, cocoa and rice), including export trading. The objective of the first two policy changes would be to level

the playing field for all businesses. The objective of the third would be to better pass along price incentives for both increased investment in these crops and greater production thereof. Other topics of interest to the Mission, such as relaxing price controls and interest rate ceilings and policies dealing with other aspects of private sector development more generally, could be included. (See also Recommendation No. 9 below.)

8. The recommendation to continue the private sector element of the current program is made in full knowledge of possible pressure from various quarters to use a portion of available ESF funds for the importation of rice and to continue public sector participation in the CIP program. Even if any ESF grants to the GOL are permitted by next year's legislation, we should be sending the strongest possible message to the GOL that only it can remove the thorny and complicated impediments that its policies are placing to achieving financial soundness and improved public services. Excluding rice and the public sector from using ESF until changed policies are implemented would be an appropriate method of enforcing the seriousness of our concern.

9. The Mission should use the occasion of negotiations for any follow-on CIP and SME activity to convince the GOL that it should reformulate its economic and financial policies. The Mission is proposing a higher level of resources for Liberia now, with its demonstrably inappropriate policies, than were proposed several years ago, when we thought improved policies were possible, and even within reach. It is unlikely that Congress will approve increased program levels for Liberia until economic policies and human rights conditions improve. It is also unlikely to break with its pattern and not require certifications before FY 1990 ESF resources are used for assistance to the GOL. It is most unlikely that the Secretary of State, under the present circumstances, will be able to provide the certifications that would make FY 1988 and FY 1989 ESF funds available for assistance to the GOL. Since the success of the CIP makes it easier for the GOL to continue its present course, Congress may not allow a new private sector CIP without some form of policy reform.

10. The Mission should move the exchange rate it uses in the CIP closer to the parallel market rate. What that rate would have to be to eliminate the implicit subsidy to users will have to be determined in the course of program design. It is premature to estimate now what that rate should be when we are ready to start any follow-on activity (both an SME project with a CIP element and a private sector CIP). There are relatively high costs implicit in using the CIP mechanism and only minor savings to offset them. The net cost over normal commercial purchases is in the vicinity of 20 to 25 percent. Given today's parallel rate of about 2.15 on-shore dollars per U.S. dollar, the upper limit on the amount we could charge now is somewhere around 1.5 on-shore dollars. If the follow-on program is large enough, it could cause the parallel market to decrease sharply.

11. The Mission should not finance garbage truck spares for the Monrovia City Corporation unless the city agrees to give up its pretension of establishing a monopoly in this area and agrees, at least in principle, to see how it can use private sector contractors for some of the task. This would be more consistent with the purposes of the program. The CIP should not be used to limit the scope of private sector growth.

12. The Mission should review the issue of opening the follow-on program to more local banks in the future. The lower costs that might be achieved through such competition could be important, but maintaining the high accuracy and rapid implementation experience of the present arrangements is also important.

13. If the Mission moves closer to the parallel rate of exchange in any future CIP program, it should explore ways of providing local currency credit facilities to low-income CIP applicants, especially farmers and established micro and small-scale entrepreneurs. Although there are well-known pitfalls to this approach which will have to be guarded against, the extra costs of supervising and administering a successful program of this type could be financed with local currency grants.

14. Local currency generated under the current CIP will be used for development activities other than civil service reform. The Mission should use these resources in accordance with two principles: the activities to be supported should advance the purposes for which the dollar funding was approved, and the administrative burden on the Mission should be minimized. In this case, macroeconomic policy improvement would rank high, in accord with the first principle. Also ranking high would be allocating a portion to supporting other A.I.D.-financed development activities, in keeping with the second principle. Third, of course, the Mission should use these ESF-generated resources to substitute for scarce dollar funding for its Operating Expense budget.

15. Looking to the future, it is recommended that generations from any follow-on CIP program be used first for all local costs, including credit, of the SME project and, if necessary and desirable, for local currency credit to small and medium participants in the follow-on private sector CIP program. The second recommended use would be CIP administration and the third general OE purposes. The remainder should be used for other A.I.D.-supported projects. Only if these uses do not require all CIP-generated funds should activities outside the above areas be considered.

16. Several recommendations for improving the administration of the remaining portion of the present program and any follow-on program are contained in Annex F, Program Management Evaluation Report.

50

ACTION AID-00

ACTION OFFICE PPPB-02
INFO AFCW-03 AFPD-04 AAAF-03 AFPE-07 SAST-01 PPR-01 GC-01 GCAF-01 PPEA-01 GCCM-02 ES-01 PRE-06 STAG-02 SEOP-01 SEDS-02 MO-07 SERP-01 SECS-02 RELO-01 AMAD-01 MUD-02 /052 A0

INFO LOG-00 AF-00 CIAE-00 EB-00 DODE-00 AMAD-01 TRSE-00 /001 W

------------------367534 050911Z /21 24 38

P 050813Z MAY 89
FM AMEMBASSY MONROVIA
TO SECSTATE WASHDC PRIORITY 4670
INFO AMEMBASSY ABIDJAN

UNCLAS MONROVIA 04522

AIDAC

FOR: SECSTATE FOR ROBERT MAUSSHAMMER, PPC /PB, INFO ROBERT RICHARDSON SER/OP/COMS AND MARY JUNE, AFR/PD/CCWAP

E.O. 12356: N/A
SUBJECT: EVALUATION OF LIBERIA CIP, 669-K-609

REF: STATE 733697

1. USAID IS VERY PLEASED THAT MR. MAUSSHAMMER IS AVAILABLE TO EVALUATE THE LIBERIA CIP AND LOOKS WORWARD TO HIS ARRIVAL ON MAY 15. FISCAL DATA IS: 72-1191000; CHEA-8921669-U000. USAID WILL MEET AND ASSIST. RESERVATIONS HAVE BEEN MADE IN THE GUEST HOUSE.

2. THE EVALUATION SCOPE OF WORK FOLLOWS. NOTE THAT THE SCHEDULE PROVIDED IN SECTION E BELOW WILL HAVE O BE COMPRESSED BY A WEEK FOR BOTH MR. MAUSSHAMMER AND MR. RICHARDSON, AND THE SOW ADJUSTED TO COMPENSATE FOR THE LOSS OF TIME. USAID WILL PROVIDE A DETAILED PROPOSED SCHEDULE ON ARRIVAL. MEANWHILE, YOUR COMMENTS ON ANY ASPECT OF THE FOLLOWING ARE WELCOME. FYI: USAID'S FAX NUMBER IS 231 (THE COUNTRY CODE) 262-038 (THE LOCAL PHONE NUMBER).

3. EVALUATION SCOPE OF WORK:

-

EVALUATION SCOPE OF WORK

-

COMMODITY IMPORT PROGRAM

-

PROJECT 669-0214, GRANT 669-K-609

THE EVALUATION TEAM WILL CONSIST OF TWO PEOPLE, AN ECONOMIST/TEAM LEADER AND A COMMODITY MANAGEMENT OFFICER. THE TEAM LEADER WILL BE REQUIRED FOR FOUR WEEKS, THE CMO FOR THREE.

PURPOSE: THE OVERALL PURPOSE OF THE EVALUATION IS TO DETERMINE THE IMPACT OF THE CIP ON SUBSECTORS OF THE ECONOMY AND ON INDIVIDUAL FIRMS; AND TO MAKE RECOMMENDATIONS FOR MAXIMIZING THIS IMPACT FOR FUTURE CIPS. THE ECONOMIST/TEAM LEADER WILL CONCERN HIMSELF LARGELY WITH THE ACTUAL AND POTENTIAL IMPACT OF THE CIP IMPORTS ON SUBSECTORS OF THE ECONOMY AND ON INDIVIDUAL FIRMS WHILE THE CMO WILL FOCUS ON HOW WELL THE CIP HAS BEEN ADMINISTERED. THE TEAM MEMBERS WILL JOINTLY ASSESS THE IMPACT OF CERTAIN CIP REGULATIONS ON THE EFFECTIVENESS OF THE PROGRAM. PARTICULAR

ATTENTION WILL BE PAID TO THE PROBLEM OF REACHING SMALL AND MEDIUM ENTERPRISES.

BACKGROUND: THE STATED PURPOSES OF THE CIP WERE; 1) TO ENCOURAGE POLICY REFORM IN LIBERIA; 2) TO PROVIDE THE FUNDING NEEDED TO SUPPORT A CIVIL SERVICE RETRENCHMENT PROGRAM; 3) TO PROVIDE SUPPORT FOR THE PRIVATE SECTOR; AND 4) TO REDUCE FOREIGN EXCHANGE SHORTAGES AND, TO THE EXTENT POSSIBLE, TO CONTRIBUTE TO THE RESTORATION OF CONFIDENCE IN THE ECONOMY.

THE CIP FAILED TO ACHIEVE THE FIRST TWO OF THESE, LARGELY BECAUSE THEY DEPENDED ON THE CONTINUATION OF THE OPEX PROJECT THROUGH 1989. THIS EVALUATION THEREFORE WILL FOCUS ON THE DEGREE TO WHICH THE CIP HAS ACHIEVED OR APPEARS LIKELY TO ACHIEVE THE THIRD AND FOURTH OF THE ABOVE PURPOSES. IN ADDITION, THE EVALUATION WILLEXAMINE THE QUESTION OF WHETHER A CIP CAN BE JUSTIFIED ON DEVELOPMENT IMPACT GROUNDS FOR LIBERIA.

A. SCOPE OF WORK--ECONOMIST/TEAM LEADER

PURPOSE: THE MAJOR PURPOSES OF THIS PART OF THE EVALUATION ARE TO: 1) ESTIMATE THE ECONOMIC DEVELOPMENT IMPACT OF THE CIP ON THE PRIVATE SECTOR, FOCUSING ON INDIVIDUAL FIRMS AND SUBSECTORS; AND 2) SUGGEST WAYS OF INCREASING THE IMPACT FOR FUTURE CIPS.

THE EVALUATORS WILL BE REQUIRED TO ANSWER GENERAL QUESTIONS WITHOUT MUCH HARD DATA. MOST OF THEIR CONCLUSIONS WILL BE BASED ON AN EDUCATED SYNTHESIS OF ANECDOTAL EVIDENCE. IN ADDITION, IT IS USAID'S HOPE THAT THE FINDINGS OF THE EVALUATION AND THE COMMENTS OF THE EVALUATORS WILL PROVIDE THE MISSION WITH A FRAMEWORK THAT WILL FACILITATE THE JUSTIFICATION, LARGELY ON DEVELOPMENT GROUNDS, OF A FOLLOW-ON CIP.

SPECIFIC QUESTIONS AND ISSUES:

1) REVIEW THE MEMORANDUM PREPARED BY THE PROGRAM IMPLEMENTATION COMMITTEE DESCRIBING THE CRITERIA USED FOR THE SELECTION OF IMPORTERS; COMMENT ON THE APPROPRIATENESS OF THESE CRITERIA AND UGGEST WAYS OF MODIFYING THE CRITERIA TO INCREASE THE LONG-TERM ECONOMIC IMPACT OF FUTURE CIPS. REVIEW THE APPLICANT POOL FOR THE ORIGINAL CIP AND EVALUATE IF THE CRITERIA WERE CONSISTENTLY AND REASONABLY APPLIED. FURTHER, EVALUATE THE APPROPRIATENESS OF ONLY PARTIALLY FUNDING THE TOTAL IMPORT FEEDS OF PARTICIPANTS. WERE SOME DESIRABLE ECONOMICO ACTIVITIES CURTAILED BECAUSE OF THIS POLICY? ALSO LOOK AT THE SCHEDULING OF THE ALLOCATION AND SUGGEST ALTERNATE METHODS THAT MIGHT INCREASE PROGRAM EFFECTIVENESS AND IMPACT.

2) THE ECONOMIST SHOULD, HOWEVER, CONDUCT A BRIEF REVIEW OF THE IMPORTANCE OF CIP IMPORTS IN SELECTED MARKETS AND SECTORS (E.G. AIR TRANSPORT, FLOUR, OXYGEN AND ACETYLENE PRODUCTION) AND TO SMALL AND MEDIUM ENTERPRISES. TO WHAT EXTENT IS THE SUBSIDIZATION THROUGH THE CIP OF THESE SECTORS AND GROUPS JUSTIFIED? TO WHAT EXTENT IS IT HARMFUL?

3) BASED ON INTERVIEWS WITH SELECTED IMPORTERS, ASSESS THE EXTENT TO WHICH CIP IMPORTS WERE ADDITIONAL TO WHAT WOULD HAVE BEEN IMPORTED WITHOUT THE CIP, AND TO WHAT EXTENT THE CIP SIMPLY REPLACED EXISTING IMPORTS. IS IT LIKELY THAT THE COMMODITIES WOULD HAVE BEEN IMPORTED IF CIP FUNDS HAD NOT BEEN

AVAILABLE?

4) BASED ON INTERVIEWS WITH IMPORTERS, ESTIMATE THE EMPLOYMENT AND OUTPUT EFFECTS OF THE CIP IMPORTS BOTH OVERALL AND IN SELECTED SECTORS.

5) BASED ON INTERVIEWS WITH CIP USERS, OTHER BUSINESSMEN, AND OPINION LEADERS, ATTEMPT TO ASSESS WHETHER THE CIP SERVED TO BOOST CONFIDENCE IN THE ECONOMY. IF IT DID BOOST CONFIDENCE, WHAT EFFECT DID THIS HAVE ON OVERALL ACTIVITY?

6) THROUGH INTERVIEWS WITH CIP USERS, DEVELOP SEVERAL CASE HISTORIES OF IMPORTS--COMMENT ON THE POSITIVE OR NEGATIVE EFFECTS OF THE CIP ON INDIVIDUAL FIRMS AND, IF POSSIBLE, ON THE SUBSECTOR. DICUSS ANY LINKAGES THAT RESULTED IN NON-PARTICIPATING FIRMS BENEFITING.

7) ASSESS THE IMPACT OF THE CIP ON SMALL AND MEDIUM-SIZED BUSINESSES. COMMENT ON THE POTENTIAL OF CIPS AS A TOOL FOR REACHING SMALL AND RURAL BUSINESSES.

8) AID/W HAS ARGUED THAT THE CIP PROVIDES A WINDFALL PROFIT TO A SELECT GROUP OF IMPORTERS. COMMENT ON WHETHER THIS PROGRAM WAS INAPPROPRIATELY SELECTIVE AND ON THE EXTENT TO WHICH IMPORTERS ENJOYED A WINDFALL FROM THEIR PARTICIPATION IN THE PROGRAM. TO THE EXTENT POSSIBLE, EVALUATE WHETHER PARTICIPANTS PASSED ON ANY COST SAVINGS TO USERS. WERE ANY NON-PARTICIPATING FIRMS ADVERSELY AFFECTED BECAUSE PARTICIPATING FIRMS RECEIVED A COMPETITIVE ADVANTAGE?

9) TO WHAT EXTENT HAS THE PROGRAM BEEN ABLE TO FOCUS ON INVESTMENT RATHER THAN CONSUMPTION GOODS? DOES FINANCING EQUIPMENT RATHER THAN SPARE PARTS OR RAW MATERIALS MAKE SENSE? DOES IT INCREASE THE DEVELOPMENT IMPACT OF THE CIP?

10) IN ADDITION TO THE ABOVE, THE TEAM LEADER WILL BE EXPECTED TO WRITE AN EXECUTIVE SUMMARY, NOT TO EXCEED THREE PAGES, COMBINING HIS FINDINGS AND RECOMMENDATIONS WITH THOSE OF THE SECOND TEAM MEMBER, THE COMMODITY MANAGEMENT OFFICER.

B. SCOPE OF WORK: COMMODITY MANAGEMENT OFFICER

PURPOSE: THE PURPOSES OF THIS PART OF THE EVALUATION ARE TO: A) ASSESS WHETHER THE IMPLEMENTATION OF THE PROGRAM HAS BEEN CONDUCTED EFFECTIVELY; B) NOTE ANY SIGNIFICANT PROBLEMS THAT HAVE ARISEN DURING THE IMPLEMENTATION; C) MAKE SUGGESTIONS ON HOW TO AVOID THE IMPLEMENTATION PROBLEMS IN FUTURE CIPS.

- 1) ASSESS THE EFFECTS OF THE CARGO PREFERENCE ACT ON THE PROGRAM. ADVISE WHETHER A BLANKET WAIVER IS JUSTIFIED FOR FUTURE CIPS.

- SOURCES: CIP FILES, USAID, IMPORTERS

- 2) FOR THE PUBLIC SECTOR PROGRAM, ASSESS THE EFFECTIVENESS OF HANDBOOK 11 FORMAL COMPETITIVE PROCEDURES. RECOMMEND HOW COMPETITION CAN BE INCREASED AND WORK LOAD DECREASED.

- SOURCES: CIP FILES, USAID STAFF, GOL OFFICIALS

- 3) CMO WILL REVIEW PROGRAM IMPLEMENTATION PROCEDURES INCLUDING OPERATING CIRCULAR, AND

LPROCEDURES FOR PUBLIC AND PRIVATE SECTOR IMPORTS AND CIP ALLOCATION PROCEDURES. PROCEDURES SHOULD BE COMPARED TO ACTUAL PROCEDURES USED. HOW HAVE PROCEDURES CHANGED? WHY? DO THEY REPRESENT MORE EFFICIENT IMPLEMENTATION? DO MODIFICATIONS IN PROGRAM IMPLEMENTATION AFFECT PROGRAM INTEGRITY?

- SOURCES: CIP DOCUMENTATION, FILES USAID STAFF

- 4) CMO SHOULD REVIEW PROGRAM ACCOUNTABILITY AND MANAGEMENT. ARE THERE TIMELY, ACCURATE AND RELEVANT REPORTS?

- SOURCES: CIP RECORDS AND FILES, CIP STAFF, CONTROLLER RECORDS

- 5) REVIEW AVERAGE DISBURSEMENT RATE AND IMPORT LEVEL FOR THE PROGRAM SINCE THE FIRST TRANSACTION. (

- SOURCES: CIP STAFF AND RECORDS, CONTROLLER RECORDS
L

- 6) REVIEW PROGRAM COMPLIANCE WITH A.I.D. REGULATION 1 PROCEDURES; I.E. PUBLIC SECTOR PROCUREMENT (HB11, CHAPTER 3), PRIVATE SECTOR PROCUREMENT (ACCEPTABLE PRO FORMAS), MARKING, TRANSPORTATION, SOURCE/ORIGIN, SHIPPING DOCUMENTATION, PAYMENT DOCUMENTS, ETC.

- SOURCES: CIP STAFF AND FILES, IMPORTERS

- 7) DISCUSS WITH PROGRAM PARTICIPANTS THE EFFICIENCY OF THE SYSTEM. COMMENT ON HOW PROCEDURES, PARTICULARLY THE CARGO PREFERENCE RULES, HAVE AFFECTED IMPORTERS.

- SOURCES: IMPORTERS, BANK, GOL OFFICIALS, USAID STAFF

- 8) DETERMINE PERCENTAGE OF TRANSACTIONS, BY NUMBER AND VALUE, WHICH HAVE BEEN SUBJECT TO END-USE AUDITS IN USAID. HOW THOROUGH ARE AUDITS? HAS THERE BEEN FOLLOW-UP?

- SOURCES: CIP STAFF, CONTROLLER'S OFFICE

- 9) REVIEW THE EXTENT TO WHICH THE LOCAL CURRENCY SPECIAL ACCOUNT IS MONITORED BY USAID. WHO DOES THE ACCOUNTING FOR THE DEPOSITS AND DISBURSEMENTS? ARE THE AGREEMENTS FOR THE USE OF THE FUNDS SPECIFIC IN ALLOTTING RESPONSIBILITY FOR FUNDING DECISIONS, MONITORING AND AUDITING?

- SOURCES: BANK, CONTROLLER, CIP STAFF

- 10) REVIEW CIP STAFF RELATIONS WITH GOL, BANK, PRIVATE AND PUBLIC SECTOR IMPORTERS. ARE THERE REGULAR MEETINGS? IS THE CIP STAFF ACCESSIBLE TO PRIVATE SECTOR FOR ANSWERING QUESTIONS, PROVIDING GUIDANCE? WHAT IS EXTENT OF AWARENESS OF CIP PROGRAMS HAS ADVERTISING BEEN ADEQUATE?

- SOURCES: GOL, BANK, IMPORTERS

- 11) REVIEW SIZE AND COMPOSITION OF CIP STAFF. IS IT APPROPRIATE TO THE SIZE, TYPE AND VOLUME OF TRANSACTIONS AND MONITORING/ADMINISTRATIVE REQUIREMENTS OF THE CIP?

- SOURCES: CIP STAFF, FILES, USAID STAFF

- 12) WHAT IS STATUS OF ARRIVAL ACCOUNTING SYSTEM? TO WHAT EXTENT IS IT UTILIZED BY THE CIP STAFF? HOW EFFECTIVE IS THE ARRIVAL ACCOUNTING SYSTEM IN TRACKING CIP TRANSACTIONS? ARE REPORTS PROVIDED TO THE USAID AND THE RECIPIENT GOVERNMENT AGENCIES ON A TIMELY BASIS?

- SOURCES: CIP STAFF, CONTROLLER, GOL

C. JOINT RESPONSIBILITIES

WHILE THE WORK OF THE TWO TEAM MEMBERS WILL BE FOR THE MOST PART INDEPENDENT, THEY SHOULD COLLABORATE ON THE QUESTION OF THE CONSTRAINTS POSED BY A.I.D. AND LOCAL RESTRICTIONS, AND RECOMMEND CHANGES IN BOTH AS APPROPRIATE.

D. REPORT FORMAT

THE ECONOMIST/TEAM LEADER WILL BE RESPONSIBLE FOR PREPARING THE EXECUTIVE SUMMARY AND THE PROJECT EVALUATION STATEMENT. THE RECOMMENDATIONS SHOULD BE LIMITED TO A REASONABLE NUMBER AND LENGTH. THE RECOMMENDATIONS SHOULD CLEARLY STATE THE ACTION AGENT AND PROPOSE DUE DATES.

E. SCHEDULE

THE EVALUATION WILL TAKE PLACE OVER A FOUR WEEK .RIOD. THE ECONOMIST WILL BE IN LIBERIA FOR ALL FOUR WEEKS AND THE CMO FOR THE LAST THREE WEEKS ONLY. THE SCHEDULES FOR EACH TEAM MEMBER ARE:

ECONOMIST/TEAM LEADER

WEEK 1: REVIEW PROJECT DOCUMENTATION, MEET WITH USAID STAFF, PARTICIPATE IN ONGOING CIP WORK; PREPARE QUESTIONNAIRES AND OTHER MATERIAL FOR FIELD WORK, CONDUCT SAMPLE INTERVIEWS WITH SELECTED IMPORTERS.

WEEKS 2 AND 3: FIELD WORK/INTERVIEWS, PREPARE DRAFT
- SUMMARY OF FINDINGS.

WEEK 4, MON.: REVIEW DRAFT SUMMARY FINDINGS WITH
- MISSION STAFF.
- WED.: SUBMIT DRAFT REPORT
- THU.: PRESDNT SUMMARY REPORT TO FRONT
- OFFICE
- FRI.: SUBMIT FINAL REPORT

COMMODITY MANAGEMENT OFFICER

WEEKS 2 AND 3: REVIEW PROJECT DOCUMENTATION,
- PROJECT FILES, INTERVIEW IMPORTERS.
- PREPARE SUMMARY OF FINDINGS.

WEEK 4: SAME AS TEAM LEADER/ECONOMIST. BISHOP

TITLE VIII—AFRICA

SEC. 801. BALANCE-OF-PAYMENTS SUPPORT FOR COUNTRIES IN AFRICA.

(a) ESF COMMODITY IMPORT AND SECTOR PROGRAMS.—Agreements with countries in Africa which provide for the use of funds made available to carry out chapter 4 of part II of the Foreign Assistance Act of 1961 for the fiscal years 1986 and 1987 to finance imports by those countries (under commodity import programs or sector programs) shall require that those imports be used to meet long-term development needs in those countries in accordance with the following criteria:

(1) Spare parts and other imports shall be allocated on the basis of evaluations, by the agency primarily responsible for administering part I of that Act, of the ability of likely recipients to use such spare parts and imports in a maximally productive, employment generating, and cost effective way.

(2) Imports shall be coordinated with investments in accordance with the recipient country's plans for promoting economic development. The agency primarily responsible for administering part I of that Act shall assess such plans to determine whether they will effectively promote economic development.

(3) Emphasis shall be placed on imports for agricultural activities which will expand agricultural production, particularly activities which expand production for export or production to reduce reliance on imported agricultural products.

(4) Emphasis shall also be placed on a distribution of imports having a broad development impact in terms of economic sectors and geographic regions.

(5) In order to maximize the likelihood that the imports financed by the United States under such chapter are in addition to imports which would otherwise occur, consideration shall be given to historical patterns of foreign exchange uses.

(6)(A) Seventy-five percent of the foreign currencies generated by the sale of such imports by the government of the country shall be deposited in a special account established by that government and, except as provided in subparagraph (B), shall be available only for use in accordance with the agreement for economic development activities which are consistent with the policy directions of section 102 of the Foreign Assistance Act of 1961 and which are the types of activities for which assistance may be provided under sections 103 through 106 of that Act.

(B) The agreement shall require that the government of the country make available to the United States Government such portion of the amount deposited in the special account as may be determined by the President to be necessary for requirements of the United States Government.

(b) ANNUAL EVALUATIONS.—The agency primarily responsible for administering part I of the Foreign Assistance Act of 1961 shall conduct annual evaluations of the extent to which the crieria set forth in this subsection have been met.

Annex C: Methodology

The methodology used by the economist member of the evaluation team followed standard evaluative procedures: background information was collected; interviews were conducted; data and other inputs were analyzed; and preliminary results were checked with knowledgeable local sources. The report incorporates materials prepared by the Commodity Management member of the team.

First, information was gathered on the background for and the purposes, structure and operation of the CIP. This included reading and discussing with appropriate Mission personnel the following: the PAAD and related documents; program financial transaction summaries; applicant interview memorandums; implementation documents (such as operational circulars, implementation letters, allocation memorandums and the program manager's monthly progress reports); and other relevant economic and program documents. Economic data embodied in USAID, Embassy and OPEX staff reports and in Government of Liberia documents were consulted for information on the economic and financial climate at the time of PAAD design and since then.

Second, interviews were held with participating importers, bankers, and four organizations--SEFO, PfP/Liberia, Nesstra and Wallace Consolidated Enterprises--which act as conduits for CIP commodities destined for some small business and other end users. A standard questionnaire was prepared for use in interviews with end users (see Annex D). The questionnaire was distributed before all interviews with end users to give the respondent time to prepare his answers. It includes questions on what actually happened under the program, what would have happened in the absence of the program, what has happened since the program-financed importation was completed, and what would happen in the future. Also included are questions concerning the program's employment and production effects within the firm and outside it, questions to situate the firm in the Liberian context, and requests for the respondent's opinions about the program and the prospects for private enterprise development in Liberia. The questions are mostly open-ended. The questionnaire contains cross-checks, where possible within the confines of a questionnaire that was designed to be administered in less than an hour, to see if the respondent's answers to some critical questions are consistent. While there was thought to be no way that interviews could produce hard financial data, it was hoped the cross-checks would provide at least some control on the quality of responses.

Questionnaires for interviews with other than end users were prepared specially for each such interview. The importers/end users were selected for interview according to several criteria. First, we wanted to interview program participants for each class of goods imported under the program (raw materials, capital equipment and spare parts). Second, we wanted to include ultimate users who received their commodities through conduit organizations. Third, we wanted to be sure that firms of different sizes would be represented, as would those whose owners were of different ethnic backgrounds. As a result, the number of end users covered by the interviews was quite large relative to the number of participants--over 40 percent, covering approximately 70 percent of the program's dollar value for the private sector. Not counting contacts within the official American community, some 14 interviews were conducted. Survey results were validated with Mission personnel. Care was taken not to extrapolate from unreliable evidence, although it was clear that the information needed for a thorough evaluation of the economic and financial effects of the program could not be obtained within the time frame of the evaluation (if ever, given the nature of some questions). Considered judgments were therefore necessary to interpret interview results.

It should be pointed out that no interviews were sought with private sector firms that imported CIP commodities for resale without transformation (except conduit organizations) or with public sector recipients, because the evaluation is concerned first and foremost with the ultimate impact of the current program on the private sector and with increasing the potential impacts of any follow-on program. The financial capacities of most participating public sector organizations were known to be extremely precarious in any case, such that our inputs were seen as temporizing solutions, at best, until longer-term structural problems within these entities could be addressed.

Third, interview and other data were analyzed and the various analyses written up. A complete draft, incorporating sections drawn from Mr. Richardson's report, was presented to the Mission on June 2. (His complete report had been discussed with the Mission Director and senior staff at the time of its completion on May 22.) Discussions of the economic portion of the draft report were held first with the program manager and then, on June 5, with the chief of the Special Projects and Project Development in the Mission. The final report was discussed with the Mission Director and senior staff in an exit briefing on June 6.

ANNEX D:

EVALUATION QUESTIONNAIRE

USAID COMMODITY IMPORT PROGRAM

Firm Name________________________ Interviewee____________________
Location________________________ Position/Title____________________
Date of Interview__________________ Size of Firm (SML)________________
Approximate proportion of plant capacity normally used?________________

1. Would you have imported these commodities if there had been no CIP program?

2. If yes, would you have imported them from the United States?
   If yes, would you have used a U.S.-flag vessel?

3. Who buys your products? How do they use your products?

4. Did you increase the number of people employed as a result of this purchase?
   If yes, how many?
   How long?

5. Were you able to retain people you otherwise would have had to let go?
   If yes, how many?
   How long?

6. A. What proportion of your selling price is accounted for by the CIP commodities? (A range is OK for an answer.)
   B. Is the proportion higher, lower, or about the same as before?

7. A. How much of local value added is accounted for by labor costs? (A range is OK for an answer.)
   B. Is the proportion higher, lower, or about the same as before?

8. What additional local purchases were required as a result of your having obtained the CIP commodities (i.e., backward linkages)?

9. What additional local production, beyond your firm, was made possible by your production/sales using the CIP commodities?

10. How have the CIP commodities helped you (select as many as are appropriate)?
    a. Lowered my costs to meet competition from imports.
    b. Enabled me to expand production and sales.
    c. Enabled me to afford a lower percentage of profit margin (not a lower profit necessarily).
    d. Enabled me to spread fixed costs over a larger base.
    e. Enabled me to start a new product or service line.
    f. Enabled me to restart an old product or service line.
    g. Enabled me to expand an existing product or service line.
    h. Smoothed out production.
    i. Lowered my selling prices to meet competition.
    j. Helped me find a cheaper source of supply.
    k. Helped me find a source of higher-quality goods.
    m. Other? (Please specify.)

1. Does the CIP program help Liberia save foreign exchange? Generate ew exports? If not, how could it do so?

2. Is your main competition from imports or other local production?

3. Did your local competitors (importers or manufacturers) also articipate in the program?

4. Do you know if they tried but were not successful? If they tried, do ou know why they were not successful?

5. Is this your first experience with US inputs in the line of business ou used CIP goods for?

6. If this is not, did you regularly buy these inputs from the US?

7. Have you bought these same goods since your CIP purchase?
(IF NO PURCHASE SINCE CIP, GO TO QUESTION 20.)

8. If you had a purchase since the CIP buy, was your last purchase in ne US or elsewhere?

9. If you had a purchase since the CIP buy, was your last purchase from new supplier or the same supplier as under the CIP?

). What alternative sources of FX do you have? (Indicate as many as are ppropriate.)

a. Own exports?
b. Own outside resources?
c. Allocation from related company's surrender?
d. Mother company abroad?
   Equity investment?
   Loan? At what interest rate (APR)?
e. Supplier's credits? At what interest rate (APR)?
f. Official allocation of FX?
g. Bank-brokered parallel market?
h. Other formal parallel market (such as currency dealer)?
i. Other? (Please specify.)

. What FX rate do you think you would have had to pay in the absence of ur CIP purchase?

. Could you have afforded that rate for these goods?

. If not, what would you have done?

. A. Are you satisfied with the quality of the goods you received?
B. With their price (not of the shipping cost)?
C. With the cost of the shipping?
D. If not, what difference did it make to your operation?
E. Was the time required for shipping acceptable?
F. If not, what difference did it make to your operation?

15

5. What are the main <u>advantages</u> of the CIP program for you?

6. For the country?

7. What are the main <u>disadvantages</u> for you?

8. For the country?

9. What are the main opportunities for small businesses in this country?

0. What are the main constraints you face in expanding your business?

1. To starting or expanding exports (in this business)?

Annex E: Persons Contacted

Name	Organization	Kind of Business or Position
Ajami, Ali K.	A. Ajami Bros.	Importer/Trader
Banks, Baldwin	EFMC Secretariat	Exec. Director
Beebe, Maria	USAID	PfP/L Proj. Mgr.
Bernard, Archibald F.	YES Transport Services	Bus&Car Trans./Gas Stn.
Born, Timothy	USAID	CIP Mgr.
Brewer, Alfreda	USAID	SEFO Proj. Mgr.
Cooper, Cecelia	EFMC Secretariat	Depty. Exec. Dir.
Daniels, Steven B.	Nimba County Govt.	Superintendent
Dattatreya, S.	Sun Shine Group Inc.	Industrial Gases
Eid, Ezzat N.	Int. Alum. Factory	Alum. Window/Roofing
Erves, Shirley	USAID	Economist
Ezzeddine, Nabil A.	Liplafco	Plastic shoe Mfgr.
Frankfort, David	Nesstra (Liberia) Inc.	Importer/Mfgr. Rep.
Hicks, John F.	USAID	Mission Director
Holder, James K.	Liberia Steel Products	Culvert Mfgr.
Khalifa, Richard F.	Younis Bros. & Co.	Alum. Window Mfgr.
Kutu-Akoi, Patrick D.	Citibank Monrovia	Manager
Kulah, Dr. Alfred A.	PfP/Liberia	Gen. Mgr.
McLaughlin, Richard	USAID	Program Officer
Merrill, Susan	USAID	Chief, SPPD
Nyema, J. Charles	PfP/Liberia	Deputy Mgr.
O'Friel, Paul C.	U.S. Embassy	Commercial Officer
Onyekwelu, Fidel C.	Richway Trading/Transp	Bus Serv./Brake Relining
Ploch, Edward J.	USAID	Deputy Director
Roberts, Charles B.	Parker Industries Inc.	Paint Mfgr.
Saytue, Andrew	EFMC Secretariat	CIP PIC Member
Schiele, Peter-Boris	GTZ	Nimba Cnty. Rur. Dev.
Surla, Leo J.	MetaMetrics Inc.	SME Study Leader
Thompson, Samuel W.	Citibank Monrovia	Manager
Torres, Benjamin A.	Citibank Monrovia	Vice President
Wallace, Frank O.	Wallace Consol. Enter.	Importer/Mfgr. Rep.
Waritay, Muhamed, Jr.	PfP/Liberia	Extension Coord.
Witthans, Fred	USAID	Economist
Yaidoo, Euphemia N.	SEFO	Projects Mgr.
Yarzieh, Charles B.	USAID	Commod. Mgmt. Asst.

To PPC/PB Mr. Robert Maushammer

From - OP/COMS Mr. Robert Richardson

Subj - Evaluation of Liberia CIP 669-K-609
Commodity Management Officer Input

Ref - Evaluation Scope of Work dated 4/19/89

A) Executive Summary:

The evaluation of the Liberia CIP has so far revealed a list of ironies that have in turn led to a fresh optimism about the potential relevance of our development efforts here. The ironies begin with the stated purposes of the CIP and how the Mission feels about its success or failure in meeting them. First, "To encourage policy reform in Liberia." The Mission feels it has failed in this area because the OPEX Project failed. The irony is that whereas the OPEX effort turned out to be much too grandiose, short-term and premature, the CIP proved to be unusually effective in providing support to the beleaguered private sector and to be perfectly poised as a much more effective and practical policy reform instrument than was OPEX. It is fully capable of standing on its own as a development tool rather than the support-type sweetener it was originally intended to be. Second, "To provide the funding needed to support a civil service retrenchment program." This effort failed as well. But the local currency generated by the CIP is potentially much more useful in effecting a restructuring of the Liberian economy by helping to bolster the productive private sector and providing employment than the originally-conceived plan to use the counterpart to make severance payments to GOL employees who would then have no prospects for future employment. Third, "To provide support for the private sector." There are no ironies here. The CIP has provided an immediate shot in the arm to the Liberian private sector and has pointed the way to a completely different approach to economic development. Fourth, "To reduce foreign exchange shortages and, to the extent possible, to contribute to the restoration of confidence in the economy." The assessment of this point should be done by the Economist/Team Leader. However, the end-users contacted by the CMO were excited about the possibility of the USAID directing its efforts toward establishment of a market-determined economy and felt that the signals this would send to the GOL would be of the kind it could not continue to ignore. The repeated concern of those interviewed was that the USAID would identify the CIP too closely with the terminated OPEX project and fail to see it as a viable effort on its own.

To be useful to the Mission as a discrete activity, the CIP must be demonstrably well-organized and managed. The evaluation has determined this to be so at its current funding level and fully capable of assuming a much higher percentage of the Mission's resources if it is decided that an increased emphasis on CIP is

61

appropriate. Program users, Citibank and GOL officials, report frequent contact with CIP staff and satisfaction with guidance received and the general openness of communications. The problem areas discussed in the Scope of Work have been found to be relatively simple to resolve as will be shown later. All in all, the Liberia CIP is very healthy.

B) Evaluation of CIP Administration:

1) Procedure: The Liberia CIP is somewhat atypical in that there is an unusual mix of conditions that affect it. None of these conditions themselves are unusual, eg., exchange rate disparity, unfamiliarity with CIP procedures, and inappropriate tax structure. But because, when combined, the conditions are somewhat unusual, the proper procedure for evaluation appears to be a step-by-step review of the implementation process. At each step, the CMO will comment on the appropriateness of the procedures in place, address the problems raised in the Scope of Work, recommend changes that could strengthen the process and make observations on conditions that might be of assistance to the Mission as it considers future CIP activity.

2) Startup: All the usual documentation requirements are complete and procedures normal. The selection of Citibank as the only Approved Applicant for the program is worth comment. The presence of an overseas branch of a U.S. bank can be a fortuitous circumstance. These "local" branches seem to pick up on CIP requirements very quickly and the usual reports that USAID needs are really internal correspondence for the bank. Thus, as was shown quite recently, various reconciliations necessitated by the usual differences between letter of credit and actual billing amounts can be handled usually quite quickly between Citibank NY and Citibank Monrovia. This would not necessarily be the case had the banks had only correspondent relationships, such as would have been the case if LBDI and Irving Trust, for example, were the two banks involved. Another advantage of selecting only one bank is reduced administrative and accounting work. On the other hand, increased participation of local banks as Approved Applicants can provide additional benefits to CIP users. First, the competition alone can lead to reduced costs to the importers as they shop around for the best service. Currently, Citibank receives 7.5 percent of each transaction for its services. However, informal discussions with the Liberian Bank for Development and Investment (LBDI) suggested that a lower cost could be achieved were they to be a participant. CMO would recommend a review of the question of opening up the program to more banks in the interest of reduced fees and the convenience to the importer of applying to his own regular commercial bank for a letter of credit.

3) Advertising and Allocation: The CIP was widely advertised both by newspaper and by personal appearances. And, when applications were requested, the CIP Office had prepared a simple form that showed the nature of the business and its requirements. In addition, a very simple and clear four page informational document was given to each applicant that covered

hh

general statements of purpose and conditions of the CIP along with step-by-step procedures to be followed by prospective importers.

Allocations were made according to certain stated criteria and agreed to jointly by the USAID and the GOL through the Project Implementation Committee (PIC). Part of MONROVIA 7014 is quoted as a brief statement of the criteria that were used:

> We favored new capital investments that A) use agriculture inputs; or B) are in priority areas such as transport, agriculture, and health; or C) produce goods for export; or D) produce inputs into other local industries; or E) produce a necessity at a price affordable to the poorest Liberians. In some cases we agreed to only partly fund capital investments under the condition that the importer finance the rest of the request. This ensures a greater financial stake by the investor in the success of the enterprise and increases the impact of the CIP.
>
> Requests for raw material inputs were examined against the same criteria as requests for new investments. In addition, we agreed to fund input requirements covering about the same period of time for each requestor. Thus, every applicant receiving raw materials will receive an amount covering needs for approximately three months. An additional rule which applied to raw materials was that they should be available from the U.S. at prices that are not much higher than world market prices. This policy minimizes the cost to Liberia of the tied nature of the aid and discourages temporary disruptions of supply patterns.
>
> Spare parts for rehabilitation of existing infrastructure were generally approved; although not always at the levels requested. It should be noted that most of the spare parts requests received were for ongoing needs, not for major overhauls, so that they could be classified just as well under the raw material input rubric.
>
> For all three of the categories above--spares, investment goods, and raw materials--we required that the good produced--whether as a result of the purchase or repair of capital equipment, or of the transformation of the raw material--be one for which local production was more economical, or at least not less economical, than importation.
>
> Finally, we tried to spread the benefits as much as possible among the applicants that met the restricted criteria. This led us to adopt a maximum allocation per importer of DOLS 150,000 (the established limit was 250,000). In addition to the above general criteria, we

gave special consideration to applications from small businesses, as required by the program's set-aside of DOLS 500,000.

In general, goods intended for resale were excluded. Exceptions to this rule were made for authorized representatives of American manufacturers, because use of the established representative saves the program foreign exchange. This is true because when the CIP finances an authorized and established representative, it finances only the representative's price which is usually considerably lower than the amount paid by an independent purchaser. In cases where we approved purchases through an authorized representative, we did so based on the merits of the final use of the commodity, and required a guarantee from the dealer that the foreign exchange savings would be passed on to the final user; this protection against windfall profit will be strengthened by a clear indication in our approval letters that abuse will lead to exclusion from consideration for second tranche financing, as well as by end use checks.

Of note was the Zorinsky Amendment that imposed a requirement that not less than 18 percent of all CIP imports worldwide be agricultural commodities. The Liberia program was called upon to do its share even though it already had an ongoing PL 480 program. The resultant $900,000 was spent on yellow corn, soybean meal and wheat imported by the National Milling Company to be rendered to feed for the poultry industry (which has been shown to be of highly dubious economic viability) and into flour for locally-produced bread. The wheat later became an administrative burden for the program when the GOL began legal proceedings against the importer. In the event, the Zorinsky requirement has now expired and the Egypt and Pakistan programs absorbed the Liberia portion quite handily as a matter of course.

Three observations should be made here. First, during the advertising period of ten days, the program was oversubscribed four fold thus giving an initial indication of the absorptive capacity of the CIP. The Arthur Young/MetaMetrics team currently studying small and medium enterprise has informally remarked that the private sector alone could easily absorb $5-10 million a year for productive enterprise for at least the next three years. Second, it was revealed during the excellent research performed by the CIP office during the allocation process that raw materials and intermediate goods are taxed by Liberian Customs at 25 percent of their CIF value whereas finished goods are often imported duty free. When the raw materials and intermediate goods used in a manufacturing process are imported, the manufacturer is hit with an additional tax (excise) of 5 percent on his sales! This baffling situation obviously discourages local industry and favors traders. CMO will recommend that the proceeds of CIP transactions be used to reverse or at least undo this economic injustice to local enterprise. Third, the so-called windfall issue was first raised at the allocation stage. That is, while Liberians must pay around two Liberian dollars (LID) for one US dollar in the market place, the CIP offered US dollars at parity. Although CMO will recommend a thorough review of the windfall issue during the next tranche of the CIP, it should be noted that with a 15 percent user fee required by the program, a two to one U.S. flag versus non-U.S. flag freight penalty required by U.S. Cargo Preference Rules and the restrictive import duties and excise taxes paid by importers of raw materials, the windfall is nowhere as substantial as has been implied by AID/W.

4) Financing: The Liberia CIP is an up-front cash payment activity rather than a credit program. Therefore, the importer is required to pay 100 percent of the transaction plus a 15 percent user fee (7.5 percent for Citibank and 7.5 percent for CIP administrative costs) into the Counterpart Fund. This arrangement has worked well except for the fact that Citibank has had to provide physical storage for the coin thus raised. As an administrative matter, CIP Office responsibility for counterpart should normally end once it is generated. CMO will so recommend. CMO will also recommend that any long-range CIP planning include consideration of using the credit option normally associated with CIPs.

5) Procurement: The Liberia CIP procurement process is straightforward - formal tendering for the public sector and negotiated procurement for the private sector. Written procedures are being followed in practice and are fully adequate for proper implementation.

The negotiated procurement is progressing apace and CMO feels that it should continue as it is except to deemphasize the "3 Bid Rule" which only ever existed in an obscure reference in the old Federal Procurement Regulations. CMO would recommend rather "a suitable number of bids for the commodity being called for" and informally accept 3 bids in the absence of other indicators. It could be that there will only be one bid for a certain item but it would be a shame for other items to stop at 3 bids when 6 or 10 are available, to the advantage of the importer.

A problem has been raised with formal tendering in the form of a reluctance to bid against IFB's among the U.S. producer/ manufacturing/supplier trade. Requests for quotations, however, have been much more successful, particularly when announced in the AID Procurement Information Bulletins (PIB). This appears to be a case of the transactions not being large enough to attract principals. If the Mission decides to do public sector procurement in the future (CMO will recommend against this), any procurement that can be logically arranged at less than $100,000 should be done through a PIB announcement because this is how the agent exporters are advised of AID procurement activity. CMO would not advise abandonment of the IFB procedure for more than $100,000 even though past performance has not been encouraging.

The problems raised when a prospective supplier discovers he never had a chance to bid far outweigh the problems incurred when an unsuccessful IFB is turned into an RFQ due to lack of initial response.

6) Shipping: A number of problems have occurred in this area but should now be largely resolved. Essentially, cargos that can be containerized can be carried on through bills of lading on three U.S.-flag shipping companies -- Farrell, Lykes Brothers and Sealand -- even though each of these companies transships through Europe. Cargos not suitable for containerizing or less than full container loads (break bulk cargos) can be carried on non-U.S.-flag vessels and SER/OP/TRANS will not only permit U.S. financing for non U.S.-flag freight but with also remove break bulk cargos from Cargo Preference calculations upon request by the supplier. A memorandum outlining the above was requested from OP/TRANS by CMO prior to his Liberia TDY. Containers that get hung up in European ports will be reported by OP/TRANS to the home office of the shipping companies upon receipt of notice from the Mission. Also, a statement of these matters can be forwarded to each supplier to shorten the process. A blanket waiver does not seem justified unless these new measures fail.

7) Arrival Accounting/End Use Monitoring: Each transaction is monitored from start to finish including inspection of the goods prior to shipment by the internationally reputed Societe Generale de Surveillance (SGS). The fact that SGS's services are part of the Import License fee is a very attractive feature that creates automatic verification of goods prior to shipment, thereby halting problems probably impossible to rectify later.

All shipments are currently inspected upon arrival by the CIP staff which verifies arrivals against purchasing and financing documents. This procedure has worked well and ensures against shipment of goods other than those ordered and intentional short shipments. Should the program increase in size, making it impractical for the CIP staff to perform arrival inspections, a third-party inspection by a firm in Liberia such as SGS could be hired at low cost to do the work.

Final end use checks are performed on each shipment after a suitable period of time has elapsed from arrival. Firms are given time to install equipment or to process raw materials before the end-use check is performed. This element as well has worked very nicely but, as a matter of program accountability and oversight, CMO will recommend that the USAID Controller's Office assume responsibility for this function.

8) Books and Records: Each transaction has its own file containing all relevant documents from the first application through the End Use Report. In addition, the initial visit to each prospective CIP user has been written up, along with the contents of subsequent significant meetings, thereby establishing a very useful file of information which would be highly valuable, particularly in private sector research.

Perhaps the most useful of the CIP reports is the Monthly Report which informally discusses current situations/problems and gives a statistical breakdown on project activity. ADP tracking of the transactions appears to be complete and accurate.

9) Conclusion: The Liberia CIP is in very good shape operationally and administratively. It has generated great interest among importers that have used the program. They wish to see it continue. It has also demonstrated very capably its ability to move money through the system quickly into a priority sector. It is in full compliance with applicable Aid Regulation 1 and Handbook 11 Part 3 rules and procedures. And, apart from shipping problems addressed elsewhere, CIP users recognizing certain requirements are necessary to satisfy Congressional concerns are generally happy with program procedures.

Because of its flexibility and straightforward administration, CIP can be supportive of a wide range of activities. As the Mission considers the results of decades of expensive foreign assistance to Liberia, CIP provides a means of continuing a U.S. development assistance presence but also of opting out of GOL public sector activities. By shifting a larger portion of the USAID portfolio to private sector activities, the Mission can send a message about our fiscal management expectations to the GOL that is vastly more clear than than OPEX or support/training projects have sent in the past. And, should the GOL not receive the message in any event, our resources will at least have gone into a productive sector and not into the maw of the public sector. This tack should be viewed as a long term effort since even if the entire USAID portfolio were to be placed immediately into the Private Sector CIP, the GOL will be able to limp along by itself until the current rubber boom is over. At that point, however, the true nature of our intentions and expectations for GOL performance will become clear.

Currently, there is no movement of funds from the CIP Counterpart Account, although the Mission is considering new options since the demise of the Civil Service Reform Program. Although CMO is recommending that the CIP office not be connected with the Counterpart Fund once the local currency is deposited, there are several uses that can be recommended in the macroeconomic policy area. Counterpart funds could be used as support payments as practices restrictive to private sector industry are reversed. For example, the Mission could make up portions of the shortfall caused by reducing import duties on raw materials and excise taxes on goods manufactured in Liberia. For certain, however, the Mission should halt its practice of using appropriated dollars to purchase coin from the National Bank at the official exchange rate to finance local currency project activities. Those appropriated dollars should be put into the CIP, and Counterpart Funds should be used for local activities, the message being that the USAID is reducing its exposure to GOL public sector activities. Should the Mission feel compelled to continue such activities as education and health projects, only TA, training and goods from the U.S. should be funded with appropriated dollars.

Finally, the USAID should note that CIPs are potentially most useful in privatization efforts in that they can finance equipment and materials needed either to spruce up a public sector entity prior to sale or to rehabilitate after the sale has been completed. In Liberia, such parastatals as LTC, LWSC and the LEC spring to mind as potential candidates for this kind of attention.

10) Final Notes: The Liberian Mission is very fortunate to have located Mr. Tim Born to head up the CIP. Not only is he fully able to handle the day-to-day procurement transactions but he is very knowledgeable about the economics of the private sector and would be an extremely useful resource to the Mission in the event that active consideration is given to this area. Both the secretary, Gertrude Walker, and the CIP Assistant, Charles Yarzieh, have been fully trained, understand their work and round out a very efficient office.

C) Recommendations:

1) The Mission should review the issue of opening the program to more local banks. It is imperative, however, that any additional banks be able to properly record and account for L/C openings, amendments and disbursements. This is because AID's own ability to record disbursements is hampered by slow posting, frequent inaccuracies and late reporting to the Missions. The ultimate basis of accounting for Grant activities is the "former W-214" Report which still has no official number but which is called the Status of Disbursing Authorizations Report which is part of the new FACS System. The report arrives in the Mission anywhere from 4 to 6 weeks after preparation and contains information that is usually one month out of date. A review, therefore, of Liberia's CIP disbursement rate must include the realization that official records are 2-3 months out of date and often inaccurate, thus obliging a review of bank statements as a way to keep track of program progress. The crunch usually comes when the Program Manager attempts a close-out exercise to deobligate unused L/C amounts in order to recycle them into new procurements. This can usually be done as long as bank accounting is timely and accurate -- the only remaining problem being a de facto changeover from disbursement accounting to accrual or other system to properly monitor program progress. With what is essentially a commercial import program, L/C opening is a good indicator of progress. Thus, the Liberia CIP, with 99 percent of its funds already committed to L/Cs, has progressed very rapidly.

2) The Mission should investigate the possibility of using counterpart funds to assist the GOL in adopting measures designed to support the private sector. This could include temporarily picking up some of the revenue shortfall were the GOL to reduce import duties on raw materials and intermediate goods. The funds could possibly be directed to such areas as the PL 480 account shortfall.

3) The Mission should also bear in mind that because import duties are imposed on the CIF value of goods, an importer is doubly penalized by using vessels of U.S. flag registry. In one case, a CIP-financed paper products transaction would have cost $16,000 on a non-U.S. flag vessel but cost $31,552 on a U.S. flag container vessel. Thus, not only did the importer pay a $16,000 premium in freight, he also paid an additional $4,000 in customs duties. The implications involve maximizing the use of break bulk cargos as well as including this issue in any future discussions on the windfall issue.

The Mission should determine whether it would be practicable to use the Egypt tactic of relieving the importer of the requirement to pay full counterpart equivalent for U.S. freight but rather to pay a lesser amount based on the difference in cost between U.S. and foreign-flag freight.

4) The CIP office should be relieved of any responsibility on questions of the Counterpart Fund once the coin has been generated. Programming the use of counterpart funds is usually the responsibility of the Program Office, with accounting handled by the Controller's Office. The CIP office, however, should be an active petitioner for counterpart, particularly for private sector encouragement and privatization activities.

5) The Mission should reevaluate the question of using the CIP as a credit activity because credit could enfranchise a greater portion of the productive sector which otherwise has no other source of credit at present. Certainly, at least one quota of the next CIP funds should be allocated to PfP/L and SEFO activities.

6) The importers should be instructed to obtain a "suitable number of bids" rather "3 bids" because the chances are that wider contact in the supplier community will not only provide a better picture of the U.S. market but will probably result in better prices. The strong temptation with the 3 Bid Rule is that eventually the importer will get one valid bid and two false bids and play the overpricing/capital flight game.

7) The Mission should consider moving the CIP exclusively into the private sector, thereby signalling the GOL of our displeasure with public sector activities and our belief that the GOL should be assuming fuller responsibility for its own operations and parastatals' activities.

8) Before beginning a new CIP, the Mission should agree that the Controller's Office should handle end use monitoring. Operationally, it is handy and very efficient for one office to be responsible for a complete activity. However, from an administrative point of view, such an arrangement can lead to inadvertent abuses that can be avoided if another office assumes responsibility for only one element of the program. If the one element is end use monitoring, the Controller's Office would be

indicated. It would do a complete review of each transaction file and consequently see any problems that may have occurred inadvertently.

D) Scope of Work Questions Directed to CMO

1)	See Paragraph B6
2)	B5
3)	B5
4)	B8
5)	C1
6)	B9
7)	B9
8)	B7 and C8
9)	B9 and C4
10)	A and B3
11)	B10
12)	B7

E) Contacts Made - In Chronological Order

USAID/SPPD - Susan Merrill
USAID/DIR - John Hicks
USAID/ECON - Fred Witthans
USAID/CONT - Richard McClure
EMB/ECON - Paul O'Friel
Citibank - Leonard Maestre. Samuel Thompson
Nesstra - David Frankfort (Dow Chemicals)
Denco - Jim Heyburn (Farrell Lines)
National Port Authority - Capt. John Joint
Liberia Bank for Development and Investment - James Cooper
Economic & Financial Management Committee - Baldwin Banks
Otto Andresen - Frank Roberts
W.A. Stationery - John Bestman
Mettaloplastica - A.M. Zaiden
Sunshine Group - S. Dattatreya
Parker Paints - Charles Roberts
United Liberia Rubber Corp - S.S. Bhattey
U.S. Ambassador - James Bishop
SEFO - Mrs. R. Taidoo
Mensah's Chicken Farm - J. Osaku
YES Transport - Senator Archie Bernard
PfP/Yekepa - Alfred Kulah, Mohamed Waritay
Meta Metrics Inc. - Leo Surla
Liberia Plastic Footwear - Ahmed Ezzeddine
International Aluminum Factory - Ezzot Eid
Liberia Steel Prod. Corp - James Holder

F) Methodology:

1) Of primary importance was the task of determining whether the administration of the CIP was being done according to AID standard practice and rules and whether any of these had been onerous or troublesome for the importers. The results were unanimous in that all interested parties understood and found

acceptable the rules by which the CIP was being run. The one exception was the Cargo Preference Rule requiring U.S.-flag shipping. The use of U.S.-flag shipping for all but one of the importers queried resulted in roughly a two-to-one cost penalty for the freight, compounded by additions to CIF value that resulted in measurably higher import duties as well as a longer transit time that usually involved two transshipments, in Europe and Dakar.

2) Next, all parties were asked whether the program should be continued. Again, there was unanimous agreement that it should and at increased levels. When told that any increase would have to come from some other part of the program, the response was that it was time for the U.S. to acknowledge the Liberian Private Sector and to deemphasize involvement with the GOL and its parastatals, except that some minimal level of health and education outreach should be maintained.

3) Each of the parties was asked how the program could respond to the windfall question currently threatening the future of the CIP. The responses again unanimously referred to the disparities between the manufacturing and trading sectors in the form of excise taxes and import duties. The point was that these disparities plus the cost of U.S. freight meant that for end users, at least in manufacturing or processing, the real exchange rate was considerably above parity, depending on freight costs. End users were asked if they would continue to use CIP funds to pay for freight or would opt to raise their own FX to pay non-U.S. freight costs. There was some considerable confusion at this point. A mental calculation was attempted to compare "parity" FX times two-to-one U.S.-flag freight and the "two-to-one" FX rate times half-price foreign-flag freight. Each of the respondents demurred saying that they would first have to wait to see what the prices of all elements would be prior to a new transaction. Two respondents stated that the delays encountered with U.S-flag shipping would tip the balance in favor of the latter.

4) Finally, end-users were asked what they would procure in the event they received a new allocation. Those who had bought raw materials said they would do so again. Most of those who bought machinery said that their priority would be for spare parts for the equipment financed under the first tranche and then for other material.

5) The whole interview process was extremely gratifying as it made very clear that there is a savvy, upbeat private sector in Liberia to work with.

Annex G: Documents Consulted

A. CIP Program Design and Authorization Documents:

1. USAID/Liberia, PAAD, Liberia Commodity Import Program, September 15, 1987.
2. Vinton, David K., Report on Commodity Import Survey, undated (June, 1987).
3. AFR/PD, Issues Paper for Executive Committee for Project Review, August 28, 1987.
4. AFR/PD, Action Memorandum for the Assistance Administrator for Africa, September 25, 1987.
5. USAID/Liberia, Proposed PAAD Amendment (Monrovia 07014), July 13, 1988.

B. CIP Program Implementation Documents:

1. USAID/Liberia, Grant Agreement for Commodity Imports, September 30, 1987.
2. USAID/Liberia, Operating Circular, CIP-Private Sector Element, February 26, 1988.
3. USAID/Liberia, Operating Circular, CIP-Public Sector Element, February 26, 1988.
4. USAID/Liberia, Memorandum of Understanding Regarding Establishment and Maintenance of a Special Account, February 26, 1988.
5. USAID/Liberia, Guidelines in Allocating CIP Funds for the Private Sector, undated (February 26, 1988).
6. USAID/Liberia, Guidelines in Allocating CIP Funds for the Public Sector, undated (February 26, 1988).
7. USAID/Liberia, Program Implementation Committee Structure and Functions, undated (February 26, 1988).
8. USAID/Liberia, Information for Importers, undated.

C. Program Management Documents:

1. USAID/Liberia, Commodity Management Officer, monthly status reports (June, 1988 through April, 1989).
2. CIP Program Implementation Committee, reviews of private sector applications for CIP financing, various dates.
3. CIP Program Implementation Committee, reviews of public sector applications for CIP financing, various dates.
4. USAID/Liberia, Commodity Management Officer, memorandums regarding reallocation of CIP funds, various dates.
5. USAID/Liberia, USAID Liberia Mission Order 573, Commodity Import Program (CIP), Arrival Control and End-Use Reporting, November 4, 1988.

D. Evaluation Guidelines:

1. USAID/Liberia, Scope of Work, Monrovia 04522 (reproduced as Annex A).
2. Agency for International Development, PPC/CDIE (Joseph Lieberson), Recent Evaluation of AID Commodity Import Programs (CIPs), A.I.D. evaluation Occasional Paper No. 4, March, 1985.

3. Agency for International Development, Handbook 4, Chapter 9, Evaluation Guidelines for Commodity Import Programs (CIPs) and CIP-like Activities, March 1, 1988.
4. General Accounting Office, Foreign Aid: Better Management of Commodity Import Programs Could Improve Development Impact, GAO/NSIAD-88-209, September, 1988.

E. Other Documents:

1. Micheline Mescher, Appendix V, Constraints to Small and Medium Enterprise in Liberia (draft), May, 1989.
2. Louis Berger International, *et al.*, Liberia Economic Stabilization Project, OPEX Quarterly Report, Third Quarter, 1988, October 25, 1988.
3. Department of State, U.S. Embassy, Monrovia, Liberia, Foreign Economic Trends and Their Implications for the United States, American Embassy, Monrovia, Liberia, October, 1988.
4. Fred Witthans, draft economic portion of USAID/Liberia country strategy, undated (May, 1989).
5. David Hughes, Kerry Muir, Eric Nelson, and Boima Rogers, Robert R. Nathan Associates, Inc., Liberia Agricultural Marketing Study, April 20, 1989.
6. Republic of Liberia, Ministry of Commerce, Industry and Transportation, Price Analysis Division, Maximum Mark-ups for Imported Commodities, Second Edition, May, 1981.
7. Various IMF Documents.

UNITED STATES AID MISSION TO LIBERIA

INTERNATIONAL MAILING ADDRESS
USAID
POST OFFICE BOX 1445
MONROVIA LIBERIA

UNITED STATES MAILING ADDRESS
USAID
APO NEW YORK 09155

GUIDELINES IN ALLOCATING CIP FUNDS FOR THE PRIVATE SECTOR:

The following guidelines are intended to give businessmen an indication of the criteria which will be used in allocating CIP funds. The overriding consideration in developing the criteria is that the funds should be used to increase the productive and export capacity of the Liberian economy in those lines of activity in which Liberia has either demonstrated a comparative advantage or can reasonably be expected to do so. Concessions and other businesses that have access to foreign exchange through their exports or provisions of services will not be eligible to participate in the CIP unless they can demonstrate that their import requirements are directly related to expanding their productive capacity and, their need exceeds their earnings of foreign exchange.

1. All importers must conform to Government of Liberia laws and regulations, e.g., be authorized to do business in Liberia, have obtained an import permit, be current on tax liabilities, etc.

2. Eligible private sector importers will be ones where:

   a. all or a majority of the company's equity is held by private, non-governmental individuals or corporations; or

   b. company or corporate control, both at the board level and at the operating level, is completely or a majority in private hands.

3. The commodities imported by the private sector must be employed by the private sector. Commodities needed by the public sector are imported under a different mechanism and a separate allocation of CIP funds was awarded for that purpose.

4. At least eighteen percent of available funds will be allocated for the purchase of wheat or other agricultural commodities. (This is a U.S. legislative requirement.)

5. Outside of wheat, the maximum allocation of CIP funds for any participating private sector importer is $250,000 and the minimum is $10,000. (An exception may be made for a lesser value for spare parts). BHBanks

6. Of the available funds, $500,000 is earmarked for small scale businesses which have foreign exchange requirements in the range of $10,000 to $50,000. Examples of small scale producers will range from hog and poultry producers to carpentry and machine shops.

Note: A special effort will be made to reach, encourage and facilitate the participation of small Liberian producers. This will include radio announcements, workshops, and special assistance in completing required documentation.

7. Only commodities listed on the USAID eligibility list can be imported under the program.

8. Examples of ineligible commodities are the following:

   a. unsafe or ineffective products, such as certain pesticides, food products, or pharmaceuticals;

   b. luxury goods, such as recreational supplies and equipment, alcoholic beverages and equipment for their production or use, equipment or supplies for gambling facilities, jewelry, stamps, coins, furs and the more expensive textiles. Subject to prior approval, A.I.D. may permit the financing of an item normally regarded as a luxury item which may be required to attain the objective of a development activity or which is clearly justified by the intended end use of the item;

   c. surplus or used items, unless inspected and approved in accordance with procedures approved by A.I.D.;

   d. items for military use;

   e. surveillance equipment, of micro-miniature design for audio surveillance activities;

   f. weather modification equipment;

   g. commodities and equipment for the purpose of inducing abortions as a method of family planning;

   h. commodities for support of police and other law enforcement activities. BA Banks

9. In allocating CIP funds for manufacturers, the following types of firms will be favored:

    a. those that are developing their export capability;

    b. those that produce or process agricultural inputs used by Liberian firms;

    c. those that utilize Liberian inputs;

    d. those that are relatively labor intensive;

    e. those that seek to rehabilitate existing productive capability.

10. In allocating funds to distributors of capital equipment, firms which demonstrate a maintenance capability, including the stocking of spare parts, will be favored.

11. In allocating funds to distributors of spare parts, an assessment of overall market conditions will be made so as to ensure that the importer can not dominate the market for the particular item.

12. In the case of a firm starting a new business, the firm may be required to provide a feasibility study which demonstrates the potential economic viability of the new venture.

DISC9(CIPFUNDS)
2/19/88

GUIDELINES IN ALLOCATING CIP FUNDS FOR THE PUBLIC SECTOR

The following guidelines are intended to give public sector importers an indication of the criteria to be used in allocating CIP funds.

1. To be eligible a public sector importer must be:

   (a) a public sector revenue-generating entity (parastatal) capable of depositing the full local currency equivalent of the Letter of Credit U.S. dollar value in local currency at the official exchange rate at the time of opening the L/C; or

   (b) a public sector administrative unit that has available local currency from its budget, or other source, and is capable of depositing the full local currency equivalent as described in (a) above.

2. Parastatals that have access to foreign exchange through their exports or provision of services will not be eligible to participate in the CIP unless they can demonstrate that their import requirements exceed their earnings of foreign exchange.

3. Only commodities listed on the A.I.D. Commodity Eligibility Listing can be imported under the program.

4. The following types of imports will be favored:

   (a) Those that restore productive capacity through the replacement or repair of equipment, particularly if a critical need can be demonstrated;

   (b) those that expand the productive capacity of parastatals which provide essential public services;

   (c) those that ensure the safety and health of the public;

   (d) those that will have an immediate and significant impact on the provision of services by the public sector entity.

HK

TABLE 1 -- PRIVATE SECTOR -- L/COM 665-K-609.02
VALUE: $3,250,000

L/C No.	Importer	Commodity	Supplier	Amount Approved	L/C Issued	L/C Expires	L/C Amount	L/C Amount Paid	Date Docs Rec'd	Shipping Date	Arrival Date	Arrival Inspect	End Use Insp.	Notes
2.001	National Milling	Wheat, corn	Seaboard Overseas	496899	05/10/88	11/09/88	496899	496899	07/20/88	05/26/88	06/14/88	06/23/88	/ /	Account closed.
2.C01	National Milling	Soy meal, vitamins	Seaboard Overseas	0	05/10/88	11/09/88	0	0	07/20/88	06/24/88	07/15/88	09/28/88	/ /	Closed/reconciled.
2.002	National Milling	Wheat	Seaboard Overseas	298781	06/03/88	12/03/88	298781	298781	07/20/88	06/24/88	07/15/88	09/28/88	/ /	Account closed.
2.003	Younis Brothers	Aluminum Extrusions	Alcan Building	45432	06/21/88	02/28/89	49432	49432	10/19/88	09/19/88	11/06/88	11/12/88	/ /	$300 stolen
2.004	International Aluminum	Aluminum Extrusions	Int'l Aluminum	100000	06/30/88	12/20/88	100000	100000	01/03/89	11/26/88	01/14/89	01/17/89	03/29/89	Account closed.
2.005	R. Bright and Sons	Chicken cages	B.K.C. Incorpor	162225	06/23/88	12/15/88	162225	162225	10/14/88	09/20/88	11/19/88	11/25/88	/ /	Write up end-use
2.006	Providence Concrete	Spares for crusher	Telsmith	46451	06/24/88	12/27/88	46451	46451	10/31/88	10/12/88	11/07/88	11/23/88	/ -/	End-use refused?
2.007	K and K Trading	Lubricants	Valvoline Oil	57972	07/29/88	05/15/89	57972	0	/ /	/ /	/ /	/ /	/ /	
2.008	Sunshine Group	Oxygen	Xorbox Corporation	98919	06/24/88	06/22/88	98919	98919	08/02/88	07/16/88	08/20/88	09/21/88	03/30/89	CB/Mon rpt wrong
2.009	Libtraco	Cat spares	Intraco Sales	99855	10/13/88	05/30/89	99855	0	/ /	/ /	/ /	/ /	/ /	
2.010	Liplafco	PVC for shoes	Taray Int'l	101111	07/27/88	01/27/89	101111	97394	09/27/88	09/09/88	10/13/88	10/15/88	/ /	Account closed.
2.011	T. Choithrams	Refrigeration spares	Unitech Corp.	15512	08/04/88	04/30/89	15512	15512	01/03/89	12/08/88	12/29/88	01/17/89	/ /	Partial shipment?
2.012	Parker Industries	Paint ingredients	Pathfinder	81735	08/31/88	01/30/89	81735	81735	/ /	11/17/89	03/14/89	/ /	/ /	Documents missing.
2.013	Vaang Ahn Ent.	Rolls of crepe paper	Atlantic Kraft	77404	07/29/88	12/31/88	77404	77404	12/06/88	10/21/88	11/20/88	/ /	/ /	Account closed.
2.014	Maestra	Chemicals for foam	Dow Chemical	88928	08/12/88	01/12/89	88928	88928	12/22/88	11/01/88	11/24/88	/ /	/ /	Account closed.
2.015	CEMENCO	Cement plant spares	Norval	98614	08/05/88	07/31/89	98614	0	/ /	/ /	/ /	/ /	/ /	
2.016	Mettaloplastica	Polyethylene	Ashley Polymers	54630	08/08/88	11/30/88	54630	54630	10/31/88	10/12/88	11/04/88	11/18/88	/ /	
2.017	Wallace Cons. Ent.	Medical supplies	AMSCO Int'l	25747	08/04/88	04/30/89	25747	0	/ /	/ /	/ /	/ /	/ /	Shipped?
2.018	Providence Concrete	Truck tires and tubes	Sumedco Int'l	13150	08/31/88	03/31/89	13150	13150	02/01/89	12/31/88	01/25/89	02/14/89	/ /	Account closed.
2.019	Serve	Vehicle spares	General Motors	19992	08/05/88	02/15/89	19992	19992	02/22/89	01/11/89	03/21/89	/ /	/ /	CB/N.Y. report off.
2.020	Richway Trading	Tires, brake liner	All Star Int'l	20000	08/11/88	01/31/89	20000	20000	04/06/89	02/27/89	/ /	/ /	/ /	CB/N reports no payment
2.021	Elias Antoune Motors	Vehicle spares	Chrysler Motors	23814	08/23/88	02/16/89	23814	0	/ /	/ /	/ /	/ /	/ /	
2.022	WEASUA	Aircraft spares	Frank Wehner	47266	08/26/88	02/18/89	47266	0	/ /	/ /	/ /	/ /	/ /	
2.023	WEASUA	Rebuilt engines	Teledyne	75747	08/26/88	02/18/89	75747	75747	02/10/89	01/21/89	03/11/89	03/16/89	/ /	Account closed.
2.024	Rooster	Restaurant supplies	Oasis Int'l	21397	08/31/88	02/25/89	21397	21397	12/13/88	11/26/88	03/14/89	03/18/89	/ /	$570 claim made.
2.025	A and G Enterprises	Petroleum Jelly	Penreco	21122	09/01/88	02/28/89	21122	0	03/17/89	02/23/89	/ /	/ /	/ /	Serious delays
2.026	Liberia Polyvinyl	PVC for pipe	Tradex Int'l	66300	09/01/88	12/15/88	66300	66300	12/27/88	11/22/88	12/10/88	12/29/88	/ /	Account closed.
2.027	Elias Antoune Motors	Pick-up (for St. Joseph)	Jeep Corporation	11033	08/26/88	02/16/89	11033	8343	/ /	/ /	/ /	/ /	/ /	1. USAID refused to pay shipping. 2. No docs received.
2.028	St. Joseph's Hospital	A/C units for hospital	Columbia Export	43791	09/06/88	02/05/89	43791	43791	12/06/88	12/29/88	03/14/89	03/17/89	/ /	Account closed.
2.029	Metco	Refrigeration equipment	BMIL	49944	09/26/88	03/06/89	49944	49944	01/03/89	12/02/88	01/26/89	03/22/89	/ /	Account closed.
2.030	W Africa Stationery	Rolls of paper	Virginia Paper	39014	10/04/88	03/08/89	39014	39014	03/06/89	01/07/89	03/21/89	03/27/89	/ /	
2.031	W Africa Stationery	Freight for paper	SCAC	12640	10/04/88	03/08/89	12640	12640	03/06/89	01/07/89	03/21/89	03/27/89	/ /	CB/N wrong.
2.032	Libtraco	Generator (for St. Joseph's)	Intraco	47105	10/03/88	04/30/89	47105	47105	04/19/89	03/12/89	03/28/89	05/01/89	/ /	CB/N to refund balance.
2.033	Liberia Steel Products	Rolled steel	Franklin Steel	52475	02/27/89	08/27/89	52475	0	/ /	/ /	/ /	/ /	/ /	
2.034	SEPO	Hatching eggs	AICCO	54662	11/02/88	07/15/89	27752	23787	/ /	/ /	/ /	/ /	/ /	14 air shipments over 6 months. Balance of CPF due 4/28.
2.035	YES	Gas station equipment	Gibson, Roessen	120000	11/25/88	03/31/88	118087	99899	03/17/89	03/04/89	/ /	/ /	/ /	Where are computers? Ship?
2.036	St. Joseph's Hospital	Cooler/Freezer	Columbia Export	20460	11/08/88	04/30/89	20460	20460	01/17/89	12/29/88	03/14/89	03/17/89	/ /	Account closed.
2.037	Maestra	Foam rubber chemicals	Dow Chemical	92015	01/20/89	07/15/89	92015	0	/ /	/ /	/ /	/ /	/ /	
2.038	National Milling	Wheat	Seaboard Overseas	150000	02/15/89	05/31/89	150000	0	/ /	/ /	12/20/88	/ /	/ /	Ship cost approximate
2.040	LBDI	Microfilmer	Oveissi	27147	04/11/89	07/30/89	27147	0	/ /	/ /	/ /	/ /	/ /	S/O waiver may be needed.
9.999	PIP	Various		253231	/ /	/ /	0	0	/ /	/ /	/ /	/ /	/ /	
9.999	Citibank/NY Charges			13500	/ /	/ /	13500	10373	/ /	/ /	/ /	/ /	/ /	$12,500 is a high estimate based on actual charges
*** Total ***				3250000			2967966	2240252						

As of 5/5/89

78

TABLE 2 -- PUBLIC SECTOR -- L/COM 669-K-609.03
VALUE: $1,350,000

Commodity	Amount Approved	Date specs to AID/W	Date Published	Place Published	Offer Type	Lot No.	Offers Due	Supplier	Price (CIF)	L/C No.	L/C Issue	L/C Expires	L/C Amount	Amount Paid	Arrival Date
** UA															
School Buses (3)	96470	08/25/88	09/16/88	PIB	Quote	N/A	10/14/88	Thomas Built	96469.50	3.002	01/12/89	10/31/89	96470	0	/ /
** Subtotal **	96470								96469.50				96470	0	
** LWSC															
Lab equipment	7535	08/22/88	09/23/88	PIB88-51	Quote	1.1.2	10/29/88	U.S. Export Marketin	7535.15	3.006	01/18/89	06/30/89	7535	0	/ /
Chemicals/reagents	8273	08/22/88	09/23/88	PIB88-51	Quote	1.1.2	10/28/88	Arj-Med	8273.00	3.005	01/18/89	06/30/89	8273	0	/ /
Pump spares	60000	08/22/88	10/07/88	PIB89-1	Quote	A	11/10/88	Vimpex	76989.66	0.000	/ /	/ /	0	0	/ /
Valves/pipes/fitting	49580	08/22/88	10/07/88	PIB89-1	Quote	B	11/10/88	G&S International	49580.00	0.000	/ /	/ /	0	0	/ /
Chemical dosing unit	23538	08/22/88	10/07/88	SBC 89-1	IFB	I	11/18/88	Orascom	22538.00	0.000	/ /	/ /	0	0	/ /
Flocculator units	67250	08/22/88	10/07/88	SBC 89-1	IFB	II	11/18/88	Orascom	67250.00	0.000	/ /	/ /	0	0	/ /
** Subtotal **	216176								222165.81				15808	0	
** LTC															
Antenna Spares	374919	/ /	/ /		S/SOUR		/ /	CONTECH. Inc.	374919.00	3.009	/ /	/ /	0	0	/ /
** Subtotal **	374919								374919.00				0	0	
** LEC															
Altec Spares	15577	09/07/88	10/21/88	PIB	Quote	3	12/05/88	Oveissi	15576.91	3.008	04/07/89	06/30/89	15577	0	/ /
Ford Spares	34500	09/07/88	10/21/88	PIB	Quote	4	12/05/88	Mid American Ford	0.00	0.000	/ /	/ /	0	0	/ /
Ford Parts	40100	09/07/88	10/21/88	PIB	Quota	1.2	12/05/88	MDR Corp.	40100.46	3.007	04/07/89	06/30/89	40100	0	/ /
Motorola radios	9705	09/07/88	/ /	N/A	S/Sour	N/A	/ /	Motorola	9704.80	3.003	11/24/88	02/15/89	9705	9705	/ /
** Subtotal **	99882								65382.17				65382	9705	
** NPA															
Spares and tools	42578	09/22/88	10/21/88	PIB89-3	Quote	2	05/08/89		0.00	0.000	/ /	/ /	0	0	/ /
Tires and tubes	57422	09/22/88	02/10/89	PIB	Quote	3	04/07/89	Transand	57422.03	0.000	/ /	/ /	0	0	/ /
** Subtotal **	100000								57422.03				0	0	
** RIA															
High loader	186231	/ /	/ /		S/Sour	N/A	/ /	FMC	186231.00	3.004	04/18/89	07/30/89	186231	0	/ /
Passenger steps	50046	/ /	/ /		S/Sour		/ /	Hollard Airport Equi	50046.00	3.010	04/28/89	07/30/89	50046	0	/ /
Communications spare	58074	11/04/88	12/20/88	SBC	IFB	1	02/10/89	Okusa	58073.82	0.000	/ /	/ /	0	0	/ /
Fire truck spares	58853	11/04/88	12/20/88	SBC	IFB	2	02/10/89	Okusa	58853.24	0.000	/ /	/ /	0	0	/ /
** Subtotal **	353204								353204.06				236277	0	
** NCC															
Garbage Truck	100000	/ /	/ /		Quote		/ /		0.00	0.000	/ /	/ /	0	0	/ /
** Subtotal **	100000								0.00				0	0	
*** Total ***	1340651								1180562.57				413937	3705	

As of 5/5/89

TABLE 3

Direct Reimbursement Authorization
669-K-609.01
CIP Administration
Value: $400,000

Summary:	
Total Earmarked	372,364
Total Committed	347,856
Total Disbursed	208,217
Unearmarked	27,636
Uncommitted	52,144
Undisbursed	191,783

Earmark Document	Commitment Document	Good/service	Amount Earmarked	Amount Committed	Amount Disbursed
1. C 70057		Office equipment	45,000		
	P880076	Computers		10,887	10,887
	P880079	UPS		799	799
	P880081	Diskettes		190	190
	P880084	Desk		495	495
	P880092	Photocopier		4,000	4,000
	P880125	Electric service		144	144
	P880096	Ad in Observer ,		150	150
	P880113	Bookshelves for office		555	555
	P880146	Software		514	514
	P880147	Office Supplies		286	246
	P880170	Software		607	607
	P880171	Toner for copier		210	210
	P880164	Computer desk		425	425
	P880165	Phone cables		679	679
	P880168	Form Tractor for printer		195	195
	P880169	Computer paper		80	61
	P880150	Ribbons for printers		755	755
	M890009	DHL Services		500	26
	P890012	Copier maintenance (10/88-10/89)		480	120
	P890015	Computer Maintenance (1/89-3/89)		578	572
	P890023	Power conditioners		362	350
	P890024	Quietwriter printheads		70	60
	No PO	Supplies		721	721
	P890026	IMF Publications		20	15
	P890025	FAX Directory		45	0
	P890036	Laser printer (for PVO/NGO)		1,951	1,751
	P890043	FAX Paper		99	99
TOTALS			45,000	25,698	24,527
Uncommitted:	19,302				
Undisbursed:	20,473				
2. C 70057A		Household furnishings	15,700		
	P880086	Appliances		3,117	2,417
	P880087	Fire extinguisher		220	203
	P880095	Vacuum bags		40	40
	No PO	Fumigation		218	218
	No PO	AC repair		1,760	68
	No PO	AC spares		200	144
	P880130	Carpets		554	554
	P880132	Air conditioners		3,868	3,868
	P880136	Generator Parts		630	0
	P880141	Upholstery		1,148	1,148
TOTALS			15,700	11,753	8,658
Uncommitted:	3,947				
Undisbursed:	7,042				
3. T 70053		PSC commodity officer	290,000		
	Contract	Personal services		182,195	102,000
	No PO	Support costs		107,805	57,070
TOTALS			290,000	290,000	159,070
Uncommitted:	0				
Undisbursed:	130,930				
4. T 70061		Commodity assistant	9,500		
	Contract	Personal services		8,241	5,570
TOTALS			9,500	8,241	5,570
Uncommitted:	1,259				
Undisbursed:	3,930				
5. T 70085		Secretary	6000		
	Contract	Personal Services		1,380	820
TOTALS					
Uncommitted:	6,000				
Undisbursed:	6,000				
6. Other		Pooled costs	10,222	10,222	10,222
		Howard Airide Contract	1,942	1,942	170

As of 5/5/89