



USAID
FROM THE AMERICAN PEOPLE

USAID ACTIVITIES UNDER GEMAP IN LIBERIA

IMPACT ASSESSMENT REPORT

July 2008

This report was prepared for review by USAID/Liberia. The authors are David Dod, USAID/Washington, and Eric Nelson, Economic Consultant. The views presented are those of the authors and do not necessarily reflect the views of USAID.

This assessment was prepared, at the request of the USAID Mission to Monrovia, by David Dod, Senior Economist, USAID/Washington, and Eric Nelson, Economic Consultant and former World Bank Country Economist for Liberia. Mr. Nezam Motabar, CMA, of Management Systems International, also participated in the field interviews and development of the assessment and recommendations. Comments and conclusions are based on interviews and data collected in Monrovia in March 2008 and on additional information collected during March-June 2008.

The authors are grateful for the cooperation of: senior officials of the Liberian ministries, agencies, and state-owned enterprises who were interviewed for this report; the current GEMAP financial controllers and technical advisors (from USAID contractor firms SEGURA/IP3 and International Business Initiatives) who have been assisting these entities; and many helpful current and former officials from the GOL and donor institutions who have developed, guided and monitored the GEMAP program since its inception in 2005.

The views and conclusions presented in this report represent those of the authors and do not necessarily reflect the views of the United States Agency for International Development, the State Department, or any other U.S. government agency.

Table of Contents

Overview of GEMAP	3
I. Summary of GEMAP Impact Assessment	4
A. Impact on Revenue Management at the SOEs.....	4
B. Impact on Government Revenue from Natural Resource Contracts.....	5
C. Impact on Revenue Collection of Ministry of Finance	5
D. Impact on Expenditure Management	6
1. Expenditure management at the SOEs.....	6
2. Expenditure management at the Bureau of the Budget	7
3. Expenditure management at the General Services Agency.....	7
E. Impact on Financial Controls, Corruption, and Customer Service	8
1. Financial Controls and Corruption.....	8
2. Corruption and Customer Service.....	9
F. Development of Checks and Balances at the Four SOEs	9
G. Training and Capacity Development at USAID-assisted Entities.....	10
II. Impact and Recommendations for Revenue-Producing SOEs.....	12
A. Liberian Petroleum Refining Company	12
B. National Port Authority	22
C. Roberts International Airport.....	31
D. Forestry Development Authority	38
III. Ministry of Lands, Mines, and Energy	45
IV. Expenditure Management by Government Agencies.....	54
A. The Bureau of the Budget.....	54
B. The General Services Agency	61
V. Ministry of Finance – Revenue	68
Annex I. Controls at the Exit Gate of the Freeport of Monrovia	
Annex II. Controls and Training Needs in a Computerized Environment	
Annex III. Customer Survey Results for NPA, LPRC, and RIA	

Overview of GEMAP

(from the Program website, <http://www.gemapliberia.org/>)

The **Governance and Economic Management Assistance Program (GEMAP)** is a partnership between the Government of Liberia (GOL) and the international community to improve governance, enhance transparency and accountability, and lay a solid foundation for a sustainable peace. The Agreement was conceived in direct response to the concerns of the GOL and international partners, (including the United Nations (UN), the European Union (EU), the Economic Community of West African States (ECOWAS), the African Union (AU) the United States (US), the International Monetary Fund (IMF) and the World Bank (WB)) about the mismanagement of public resources during Liberia's post-conflict transition and the threat it represented to the peace process. Following consultations between the National Transitional Government of Liberia (NTGL) and the International Contact Group for Liberia (ICGL), the GEMAP Agreement was signed on September 9, 2005.

GEMAP is part of the process of building **good economic governance** in Liberia. Good economic governance is the competent management of a country's resources and affairs in a manner that is open, transparent, accountable, and responsive to people's needs. As part of a system of good governance, citizens must monitor the activities of the government and demand transparency and accountability from its institutions and leaders. Good economic governance is critical to development and economic growth. Through the GEMAP framework, Liberian institutions and international partners are putting systems in place to ensure that the funds from Liberia's institutions and natural resources flow into the government, that the government manages those funds well and transparently, and spends it effectively on rebuilding the country.

After years of mismanagement and corruption, GEMAP helps provide the Liberian people and the international community greater confidence in the government through the provision of **internationally-recruited advisors** posted in the financial offices of several key Liberian institutions, working with Liberian leadership to establish transparent financial management systems, train and build capacity of Liberian staff, and report openly on their operations, revenue and spending. Many of these experts share co-signing authority so that no major transactions take place without being examined by both a Liberian manager and an international advisor. To date, GEMAP advisors have served in the Ministry of Finance (MOF) Cash Management Committee (CMCo), the Central Bank of Liberia (CBL), the Bureau of Budget (BOB), Ministry of Lands, Mines, and Energy (MLME), the National Port Authority (NPA), Roberts International Airport (RIA), Liberia Petroleum Refining Corporation (LPRC), the General Auditing Commission (GAC), the General Services Agency (GSA), Bureau of Customs and Excise (BCE), the Public Procurement and Concessions Commission (PPCC), the Governance Reform Commission (GRC), and the Forestry Development Agency (FDA).

The **Economic Governance Steering Committee (EGSC)**, the body responsible for the oversight of GEMAP, held its inaugural meeting on October 26, 2005 and continues to oversee the implementation of GEMAP. The EGSC is chaired by President Ellen Johnson Sirleaf, and participants include US Ambassador Donald Booth as Deputy Chair, Government of Liberia ministers, representatives from Liberia's international partners, and representatives of civil society. The EGSC's **GEMAP Technical Team (TT)**, which replicates the membership of the EGSC at the working level, provides technical assistance to the Steering Committee and implements GEMAP activities.

I. Summary of GEMAP Impact Assessment

A. Impact on Revenue Management at the SOEs

Current Revenue and Expenditures at Liberian SOEs

Amounts in US dollars	LPRC CY 2007	RIA CY 2007	NPA CY 2007	FDA FY 2006/07
Total Revenue (excl budget contributions)	11,011,928	4,067,185	17,042,505	519,000
Total Expenditures	5,378,631	3,112,985	13,851,646	3,312,679
Income before Taxes	5,633,297	954,200	3,190,819	NA
<i>Memo: NTGL-era revenue</i>	<i>6,700,000</i> <i>(2003/04 est)</i>	<i>2,955,000</i> <i>(2005)</i>	<i>7,322,000</i> <i>(2004)</i>	<i>20,000</i> <i>(2004 est)</i>

Gross and net revenues mobilized by all four SOEs have increased substantially since the introduction of new Managing Directors and GEMAP Controllers in early 2006. The Liberian Petroleum Refining Company (LPRC), Roberts International Airport (RIA), and the National Port Authority (NPA) have generated significant operating income, available for payment of taxes and dividends or for investment.

In the case of one of the SOEs, the Liberian Petroleum Refining Company, the level of gross revenue mobilized should be considered an indicator of financial “over-performance.” Using its position of having a legal monopoly and the sole seaport terminal for all fuel imports into Liberia, LPRC charges fuel handling and storage fees that seem to be far in excess of the level that a competitive market would set. This bounty of revenue for LPRC seems to have led, both historically and currently, to a pattern of extremely wasteful spending that has only been curbed to a modest extent over the past two years.

Leakages of revenue. Although the amounts cannot be directly measured, the assessment team believes that there has been a downward trend of past improper waivers and evasion of fees and charges by customers at all SOEs. The GEMAP-assisted agencies that have achieved the greatest success in reducing such leakages have been the LPRC and, more recently, the RIA.

Measures taken by GEMAP Controllers to reduce such leakages have included a systematic shift at all of the SOEs to revenue collections by check rather than in cash and to more effective collection of accounts receivable.

Over the past two years, additional reports of fraud, indications of revenue leakage, and reluctance of managers to sanction the abusers have been most persistent at the National Port Authority and the Freeport of Monrovia. GEMAP Controllers have attempted to help contain such leakages by such measures as (a) advocating for changes in the exit-gate procedures at the Port; (b) trying to ensure that incidents reported by whistle-blowers would be properly investigated and corrected; and (c) calling for investigations by the internal auditor, which for a long period at the NPA, were ignored. However, little remedial action had been taken as of March 2008.

B. Impact on Government Revenue from Natural Resource Contracts

The most important task for GEMAP in the natural resource area is to help develop and to “institutionalize” effective, transparent methods for granting concessions and contracts for extraction of tropical timber and iron ore and for securing the public revenue that should be obtained. After a period of international embargoes on timber and diamonds and annulment or renegotiation of concessions, this process of contracting and resumption of production is now ramping up, and initial indications are that transparent and pro-competitive procedures are being followed.

At the Forestry Development Authority, timber sales contracts for export logs are projected to generate an average \$24 million per year in fees and taxes during 2008-13 – if revenue collection is properly regulated and ensured with the assistance of a “chain-of-custody” management company, SGS.

At the Ministry of Lands, Mines, and Energy, the major iron-ore concession for the Nimba mines and related rail facilities has been renegotiated, while two other, major iron-ore concessions of similar size are now being tendered. Payments of royalties and observance of other terms of the contracts will need to be enforced. Any similar contracts and license agreements will need to be transparently negotiated in the future.

In the contracting procedures for both timber and mining, however, early execution errors suggest potential problems that may remain and must be addressed. The evidence includes in mining, the tentative public announcement of award of mining contracts prior to due diligence; and in timber, the award of competitive awards to bidders that appear—the evidence has not yet been verified—to be majority controlled by the same investor.

C. Impact on Revenue Collection of Ministry of Finance

Since 2005, USAID has been assisting the MOF with development of the Bank Payment Slip (BPS)/Flag Receipts System that provides the “glue” to assure that government revenue receipts will be fully collected. The initial introduction of the BPS/Flag Receipts System in January 2006 led not only to improved customer satisfaction but also to an immediate 37% increase in revenues, according to the Deputy Minister of Finance for Revenue.

In 2006 USAID committed further to assist the Government in establishing a “one-stop clearing house” that will extend this system to the Monrovia Freeport, the LPRC fuel import terminal, and Roberts International Airport. It is expected that—once the USAID-financed computers and transmission facilities are complete—that this will both improve customer satisfaction and further reduce opportunities for corrupt practices and the evasion of taxes and fees. However, some delays in implementation have occurred.

To further strengthen and protect the MOF’s tax administration functions (which tend to show high vulnerability to corruption worldwide), the Deputy Minister of Finance for Revenues proposed in March 2008 that USAID consider extending GEMAP assistance to other areas of revenue collection -- for example, the currently weak property tax that might be dedicated to provide revenue for county and municipal entities, as part of the government’s decentralization policy. For the next stage of GEMAP donor assistance, the assessment team believes that USAID and other GEMAP partners should also consider shifting more attention and resources to improving the efficiency and building defenses against corruption in the MOF’s collection of other domestic taxes. During the past two years, GEMAP donors have provided only sporadic, intermittent assistance to the MOF collection of “income and profits taxes” and “taxes on domestic goods and services” – which together accounted for \$57 million in FY2006/07 revenue and which should become over time a more important source of GOL revenue than taxes on international trade.

D. Impact on Expenditure Management

At the four SOEs and the Bureau of the Budget, USAID GEMAP advisors exercise co-signature authority over all financial commitments and payments or allotments of their company or agency, including the use/replenishment of petty cash.

1. Expenditure management at the SOEs

For the SOEs, the most common causes for rejection of a co-signature request have been

- Presentation of irregular and apparently fraudulent invoices from vendors
- Presentation of inadequate documentation (e.g., no purchase order, no evidence of receipt) or photocopies rather than originals.
- Requests exceeding budget
- Requests not being reasonable
- Requests not complying with Board of Directors’ policy

In general, SOE Managing Directors have cooperated with the spirit of the GEMAP requirement that *financial commitments* be approved in advance by the GEMAP Controller. However, at the RIA, the previous General Manager permitted the GEMAP co-signature authority only after the commitment, when a check was requested for payment. For example, this occurred when a generator was ordered and installed by

the previous GM for his personal residence, without prior approval of the GEMAP Controller. Under the new Managing Director, the GEMAP Controller now co-signs at the stage where the purchase order is sent.

2. Expenditure management at the Bureau of the Budget

At the Bureau of the Budget, periodic allotments must be provided to each ministry or agency during the budget year prior to the commitment and expenditure of funds. The GOL operates on a cash budget and agencies are not permitted to run up unpaid arrears. For FY07/08, the approved level of the GOL budget was \$199.3 million.

The number of allotments that are presented for co-signature by the GEMAP Budget Advisor is very numerous – amounting perhaps to one thousand per month and requiring the review by the Budget Advisor for several hours per day. Many of the requests for allotment lack necessary supporting information and must be returned to the line ministry that submitted them – although the Budget Advisor commented that such returns are far less frequent than when she first arrived in 2006.

Given the sheer volume of requests, the Budget Advisor cannot investigate matters that are not directly evident from the information (often too skimpy) that the requesting ministry has submitted. Thus, she typically points out the missing basis or justification that should be supplied with the allotment request, and requires a resubmission of the request. In this sense, the co-signature authority is constructively used as a ‘teaching tool’ as well as just a discriminating weapon to reject dubious expenditures that are proposed by the submitting ministry.

This same procedure is applied to requests to transfer funds from one line, ministry or agency to another, which are typically clustered at the end of the fiscal year. Transfers were a serious form of abuse under the NTGL. They are now limited in number and must be thoroughly justified.

BoB research found that some ministries were not operating on a common chart of accounts; in collaboration with the MOF the BOB developed one together with a manual explaining which items belong in which area. However, some agencies still lack accounting tools as basic as double-entry bookkeeping.

3. Expenditure management at the General Services Agency

At the General Services Agency (GSA), because of a history of abuses at GSA under previous governments, the GOL has determined that in the future most procurement and cost-management decisions will remain in the hands of individual line ministries, while GSA’s principal operational role will be for the maintenance and repair of government buildings, vehicles and other fixed assets.

However, GSA has an important potential role in setting standards for procurement by line ministries and agencies that can help to minimize problems of waste, fraud, and abuse within those entities. In this connection, a GEMAP advisor has been developing a set of plans and procedures during the past year that show prospects for substantially reducing government-wide costs in several areas that are under current or potential control of GSA.

The President's Office has requested that GSA set standards or arrange for bulk procurement in four areas:

- Vehicle fleet procurement and operation;
- Fuel for vehicles;
- Information technology; and
- Office equipment.

During 2007-08, GSA and the GEMAP advisor have conducted in-depth assessments of problems relating to the vehicle fleet and the system of fuel coupons for vehicles. This has now resulted in the adoption of two important 'standards' for government vehicles:

- a government-wide policy on procurement of used vehicles that is now in effect and that will minimize opportunities for fraud and will promote the standardization, and lower costs of maintenance, for a more limited number of vehicle models;
- the mandatory branding with door decals of all government vehicles, so that their use for government purposes can be transparently monitored.

E. Impact on Financial Controls, Corruption, and Customer Service

1. Financial Controls and Corruption

At the four SOEs, the GEMAP Controllers seem to have made or contributed to major improvements in financial controls and procedures in four areas:

- With few exceptions, expenditures are no longer made in cash and a system of direct deposit of salary payments has been introduced for most or all employees. Strict controls have been placed over the use of petty cash (ceiling amounts and numbers of personnel authorized to approve them).
- Monthly financial statements of income, expenses, and cash flow were developed in 2006 and are now prepared monthly at each SOE.
- Written procedures and, at FDA, a manual on internal controls have been produced and the finance and procurement departments have been trained to follow them.

- To replace manual accounting, automated accounting system software has been procured, is now partially deployed or will be deployed during 2008 -- such that financial records are computerized.

At the Bureau of the Budget, the institutionalization of a clear budget execution system appears to have wholly terminated the payment of “favors” previously used to facilitate the unblocking of specific budget allocations, demonstrating that such reforms are both possible and feasible in what was only recently a thoroughly corrupt process.

- Timely reporting on budget execution status also contributes to better financial oversight. Budget reporting, an ad hoc procedure under the NTGL, is now weekly, monthly and quarterly.
- The new requirement that budget requests be linked to program offerings, staffing patterns and eventually to results is gradually establishing a government-wide and public understanding of the budget as a fundamental tool of development policy.

2. Corruption and Customer Service

To gain more insight into changes during the GEMAP period in corruption and customer service at three of the SOEs, a member of the assessment team conducted a series of interviews of major clients or customers. A summary of major results of these interviews is presented as Annex III. Most respondents were reluctant to comment candidly on levels of corruption. In the case of the Port of Monrovia, one complaint was:

Some small customers maintained that as they have to pay for services which the NPA is supposed to perform, they have to include payment for those services that in their cost of goods sold calculations and pass them to their customers. They also find themselves defending the practice when their prices are reviewed by the Ministry of Commerce.

In general, customers of all three SOEs complained that the SOE delivered a poor level of service – which had not substantially improved during the period of GEMAP. The quality of service delivery was their main and primary preoccupation. In particular, clients felt that accountability and transparency should be improved at the level of customer-facing, service operations and not merely confined to the finance department. In that regard, they mentioned that the overarching attitude is the monopolistic and not-accountable behavior that these SOEs exhibit in their relations with their customers.

F. Development of Checks and Balances at the Four SOEs

At each of the SOEs, the assessment team believes that the GEMAP Controllers have had significant educational and capacity building impact on the management and staff in the following respects.

- As CFO, helping to develop the budget, planning, capital financing, financial reporting
- Establishing clear rules and manuals for the collection of revenue, for payrolls, for procurement, etc. and training staff to follow those rules consistently, including those embodied in the public procurement (PPCC) Act
- Creating procedures and controls that will reinforce and improve compliance with the rules
- Developing within the organization improved acceptance and respect for the role of the chief financial officer as a check on the authority and discretionary decision-making of the Managing Director

To date, the GEMAP Controllers seem to have made less sustainable impact on:

- Advising and sensitizing the Boards of Directors to their role in proper governance of the company – to monitor and critically evaluate financial developments, major policies, and major investment and decisions -- to protect the interests of the shareholders (the general public of Liberia). However, subsequent to the major changes at the NPA's Board of Directors in the spring of 2007, some major improvements seem to have occurred there in the Board's monitoring and control over financial matters.
- Changing the mindset of employees within the organization to observe the GOL code of ethics and to abide by the agency's financial rules, even if it brings them into conflict with suggestions or instructions they may be given by more senior officials in the company. Where positive impact seemed apparent (at RIA and LPRC), this impact seemed to the assessment team to be mainly limited to the finance and related staff that were under direct supervision of the GEMAP Controller. In other departments that are in less frequent contact with the Controller, old habits have reportedly been slow to change.

G. Training and Capacity Development at USAID-assisted Entities

Capacity development under GEMAP should reflect a combination of (a) improvements in systems and procedures and (b) systematic development of skills, behavior, and integrity of personnel. Dramatic positive changes seem to have been achieved in the systems and procedures of the four SOEs and at BOB, MLME, and GSA.

The assessment team was not in a position to evaluate the overall impact of GEMAP advisors on "skills, behavior, and integrity" among the hundreds of personnel in the organizations where they have worked. A good model for large-scale training in accounting and audit has been conducted by the USAID contractor working at the

Bureau of the Budget, the GSA, and MLME. This type of broader 'skills training' in accounting and audit is under consideration, and should become, part of the future USAID assistance plan at the four SOEs.

Similarly, the Civil Service Commission, GOL agencies, and the SOEs should all have a plan for 'integrity training' for procurement and other employees. For example, employees at U.S. government agencies must take such integrity and 'conflict-of-interest' training and refresher courses on a regular, annual basis. In some situations, private companies with histories of flagrant conflict-of-interest legal violations (e.g., Boeing after a DOD procurement scandal) are required by court order to undertake much more extensive integrity-sensitivity training for their employees. These may be useful models for Liberia to consider.

Lesson learned: Regarding "lines of responsibility" for the USAID GEMAP controllers at the four SOEs, the assessment team considers that the process of recruitment, training, and (prospectively) 'graduation' from a GEMAP Controller to a Host-country Controller has worked best when the GEMAP Controller has had full line responsibility for the finance department staff – as has been the case

- continuously at LPRC from April 2006 to the present;
- at RIA since September 2007, at which time a poorly performing, dual local controller was terminated;
- at NPA during April-October 2007, before the current, dual local controller was hired.

At the NPA the "dual structure" is currently in place – attempting to divide the financial management and staff supervision responsibilities between a GEMAP controller and a local controller named by the SOE management or board. This dual approach was also followed at the RIA during March 2006 to September 2007 and at the NPA prior to April 2007. The assessment team considered that the dual structure did not work well at RIA, has contributed to substantial recent conflict at NPA, and that it is unlikely to work well in the future. The dual structure both undermines the authority of the GEMAP controller and makes it more difficult for the GEMAP controller to implement appropriate mentoring and training of junior staff in the finance department and/or procurement department.

II. Impact and Recommendations for Revenue-Producing SOEs

A. Liberian Petroleum Refining Company

Background. Under a law dating from 1989, the Liberian Petroleum Refining Company has had exclusive rights over the import, sale and distribution of petroleum fuel products into Liberia. The company at one time operated a refinery but has not had a capability to do refining since 1982, and the derelict refinery near Monrovia is now being sold for scrap. The company's important active function is to operate a jetty and tank farm for all imports of gasoline, diesel, and kerosene/aviation fuel at the Port of Monrovia. LPRC no longer imports fuel directly; it provides licenses to private importers (currently 9) who arrange for fuel shipments and pay fees for the handling and storage of such fuel, pending its distribution through distributors and retailers (currently 17).

In January 2006, the newly elected Government appointed Harry Greaves as Managing Director (MD) of the LPRC. The first GEMAP Internationally Recruited Financial Controller (IRFC) arrived in April 2006.

Handling Charges and Revenue. The principal revenues of the LPRC are from a fee for storage and handling, levied on all fuel importers. These fees are currently US\$0.20 per gallon for diesel, \$0.15 for gasoline, and \$0.17 for kerosene/jet fuel. The assessment team was informed that the fees are determined by the LPRC on its own authority, and have varied substantially over time for some products – ranging as high as \$0.20 to \$0.30 per gallon in 2006. All importers pay the fees, although one source commented that the United Nations Mission in Liberia (UNMIL) has been paying a reduced fee.

The LPRC storage and handling fees are higher than those for other fuel terminals in the region, and appear to be inordinately high compared to what should be a regulated or competitive market fee for stand-alone terminal services that an efficient fuel terminal would charge. One of the (not very common) cases where fuel handling and storage services are handled on a stand-alone basis – rather than as part of an integrated fuel supply business – is in Aqaba, Jordan. For that Aqaba fuel terminal, the government is currently (spring 2008) preparing the enterprise to be offered competitively as a concession to a private operator. Initial surveys from industry sources suggest that the regulated fees that might be set in Aqaba could be as little as \$7.50 to \$8.50 per cubic meter for storage and handling – based on current charges levied by other crude oil terminals in northern Europe and the Middle East.¹ By comparison, LPRC now charges fees for storage handling of diesel (equivalent to \$53 per cubic meter) and gasoline (\$40 per cubic meter) that seem extremely high.

¹ A recent survey of oil terminal handling fees showed, for handling and storage of crude oil: Amsterdam, Rotterdam, Antwerp = \$8.50 to \$11 / m³; Middle East = \$7.5 - \$25 / m³.

The main justification of some “above market” fee for fuel handling at the LPRC fuel terminal, if any, is that the storage and handling fees are allowing LPRC to generate retained earnings that are needed to finance important investments for rehabilitation and replacement of oil storage facilities during the current period, while Liberian state-owned enterprises are not permitted to borrow under Liberia’s agreement with the IMF. However, in the opinion of the assessment team, the current fees charged by Liberia’s monopoly fuel terminal seem to be far in excess of what a reasonable regulated fee should be.

During the National Transition Government of Liberia (NTGL) period of 2003-05 and previously, there were substantial leakages of revenue from LPRC and many irregularities involving the expenditures and transfers from LPRC’s resources – including, according to the EC audit in 2005, for undocumented or unjustified “contributions and donations” to Government agencies or officials, for a bloated payroll, and for payments to contractors and companies for services that were actually never rendered. During the 9 months of 2003-04 that were covered by the EU audit, it is notable that the LPRC had spent more than \$1.25 million on the purchase of vehicles, but very little on more essential plant and equipment.

The audit also indicated that fuel importers using the LPRC terminal had underpaid the Ministry of Finance, during a period of about one year, approximately \$1.5 million in fuel sales taxes that should have been billed. The total amount of revenue leakages and irregular expenditures and transfers at the fuel terminal may have been as much as \$3 million annually during the NTGL period.

During 2006 and 2007, the net income performance of LPRC improved dramatically -- following the arrival in 2006 of the new, GOL-appointed Managing Director and the USAID-funded GEMAP Controller. Total revenue of LPRC had risen from about \$6.7 million in 2003/04 to \$12.2 million in 2006 and, on a reduced volume of imports, \$11.0 million in 2007. Net income (before deduction of exceptional labor-redundancy costs of about \$1.5 million in mid-2006) amounted to \$ 5.6 million in each year, 2006 and 2007. As a result of this turnaround, LPRC’s holdings of cash – which had totaled just \$191,000 at end-2005 – rose to \$1.9 million by end-2006 and \$7.0 million by end-2007.

One area for criticism in LPRC’s financial performance is that some expenditure patterns or controls still seem unduly lax. For example, LPRC’s expenditures on fuel – approximately \$1.3 to \$1.4 million per year at current market prices – seem particularly excessive and badly controlled. The assessment team believes that LPRC has a “structural imbalance” – such that, the cash flow resulting from its GOL-regulated fees for storage and handling of all fuel is so high that it encourages management neglect in the control over LPRC expenditures. In this environment, the line item “expenditures on fuel” is symptomatic of a lack of competitive pressure on LPRC to control its costs.

Infrastructure and Major Procurements. Following more than two decades of poor maintenance, LPRC's import terminal was evaluated by the World Bank in 2003-05 to be in serious need of major rehabilitation and capital improvements. The major priorities were determined to be replacement of the unsafe and fragile oil jetty, from which vessels are off-loaded, and the repair and cleaning or replacement of the storage tanks. One consequence of the dilapidated state of the jetty and fuel lines is that LPRC has to compensate fuel importers for losses due to fuel leakage from its facilities – compensation that cost LPRC \$400,000 in 2007. The World Bank has agreed to fund the replacement of the oil jetty, for which a contract is expected to be awarded in 2008.

The LPRC intends to contract shortly, using its internal financial resources, for a phased replacement of the 14 fuel storage tanks at the Bushrod Island terminal, some of which are 58 years old, and for the construction of three new tanks. LPRC has received 10 expressions of interest from potential contracting firms. This tank farm project is expected to require 3-4 years for completion. Funding has been reserved from current cash balances and additional funds will be generated through retained earnings over the period of construction. If retained earnings lag, LPRC may be able to fund the tank replacements in part through borrowing – although, in connection with the GOL's debt agreement with IMF and donors, such borrowing will not be permitted until after the GOL has reached (in two or three years) its "HIPC completion point" for donor debt relief.

Enterprise Management and Work-Force Issues. LPRC has achieved some dramatic improvements in enterprise management and financial performance during the first two years of assistance under the GEMAP program. The major management accomplishments include:

- A major reduction in staff, with separation payments, in mid-2006, to bring reduce total staff from more than 600 to the current 236;²
- Large reductions in overall non-payroll expenditures and discontinuation of previous, non-budgeted 'donations' that had been given by LPRC to various GOL institutions and personnel without documentation or receipts;
- Accumulation of a substantial financial surplus in operations in 2006 and 2007 – available for allocation to dividends to the GOL (\$500,000 was paid during 2007), payments to the Ministry of Finance of company payroll, income, and sales taxes, or retained earnings;
- Initiation of a major catch-up of deferred maintenance (especially cleaning of storage tanks in 2007) and of the imminent contract for self-funded rehabilitation/replacement of oil storage tanks that will be phased over 2008-11.

² At the time of the EC-funded audit of LPRC in 2005, LPRC was considered to be the most seriously over-manned of the SOEs – with permanent numbers of staff having grown from 240 in 2003 to 595 official employees by 2005. The auditors estimated during their follow-up 'systems audit' in 2007 that LPRC could operate effectively with 125-150 employees.

Financial Management and Internal Controls on LPRC Revenues and Expenditures

Financial management improvements at LPRC seem to have been significantly advanced by three successive GEMAP controllers since April 2006 and by a highly qualified local Chief Accountant (with extensive US experience as a CPA) who was recruited with assistance of the GEMAP controller and who arrived at LPRC in November 2006.

During the past two years, the GEMAP Controller and the Chief Accountant have made the following major improvements in financial controls and procedures at LPRC:

- To replace manual accounting, a simple automated accounting system (Quickbooks[®]) was adopted and implemented under the first GEMAP controller in 2006. A more advanced automated system (ACCPAC[®]) has been procured and is about to be installed on a server. The GEMAP Controller and the MIS Director have received external training and will be able to train other staff and prepare all financial accounts for 2008 in ACCPAC – such that the ACCPAC system is projected to be in full use by all finance and procurement office staff by May 2008.
- Financial statements of income, expenses, and cash flow were initiated by the GEMAP controller in May 2006 and are now prepared monthly by the Chief Accountant.
- A manual on accounting controls covering LPRC processes for revenues, purchases, collection, disbursements, and travel expenses has been completed by the GEMAP Controller and finance staff (however, it has not yet been approved by the MD and has not been implemented).
- With few exceptions, expenditures are no longer made in cash, and a system of direct deposit of salary payments has been introduced for all employees.
- A reduction of Petty Cashiers from nine to three has reduced the number of false receipts and misuse of petty cash.

One factor that the assessment team feels has helped to accelerate “capacity building” for the LPRC staff responsible for finance is that the GEMAP Controller has had line-management control over the finance and marketing department staff. This has facilitated establishment of job descriptions and responsibilities and has put the GEMAP Controller in a hands-on role for the training of the finance staff.

The following additional examples seem to illustrate the proactive role and/or the development of checks and balances that GEMAP controllers and the current Chief Accountant have played in helping to institutionalize effective financial or internal controls work within LPRC.

- The MD stated that the current GEMAP Controller has made procurements more transparent and has motivated the LPRC procurement staff to get value for money.

- The GEMAP Controller attends all monthly meetings of the Board of Directors, to permit routine access to board members, and to help to 'institutionalize' a direct relationship between the Board and future LPRC controllers.
- To facilitate operating procedures at LPRC, the MD also noted that the GEMAP Controller had proposed, and LPRC had introduced in early 2008, a 'fungible' system for accounting for different importers' fuels within the storage tanks – to significantly reduce past delays that were sometimes incurred to switch lines from the storage tanks while tanker trucks were loading at the "rack."

Overall progress in financial management and compliance with financial controls.

Because of rising confidence in the quality of LPRC's financial management (and in view of future needs for borrowing or joint ventures), the Managing Director decided in December 2007 to have an external audit of the financial statements for calendar year 2007. This external audit, to be conducted by a reputable West African auditing firm, will provide one important test of the progress that LPRC has made toward sound financial management and good internal financial controls.

In contrast to the finance and marketing departments (which are under the supervision of the GEMAP Controller), it appears that other operating departments at LPRC have made less progress in complying with financial controls and in resisting corrupt practices that have been rampant at LPRC in the past. Examples were cited:

- In the public relations department (which reports directly to the MD), several instances of improper handling of vendors have been noted – such as: the payment (without signed receipts or other documentation) of cash 'incentives' to journalists to attend an LPRC-sponsored press conference. In other cases, the department forwarded to finance department requests to make LPRC checks for purchases payable to individuals, rather than to the companies that were the vendors to LPRC.
- Staff from other operating departments at LPRC also continue to submit to the finance department false receipts, in an effort to obtain fraudulent reimbursements, and to make unauthorized commitments on behalf of LPRC without the GEMAP Controller's approval. (The procurement department staff had been supervised by the GEMAP Controller during 2006 and most of 2007, but that is no longer the case.)

These examples suggest to the assessment team that there is a continuing mindset of management "tolerance" for the neglect of the company's formal financial controls and for incidents of unethical or fraudulent behavior. Such incidents seem to be more common at LPRC than at another GEMAP participant agency, the Forestry Development Authority, with a similar number of employees.

Expenditures for fuel. Historically, one major area of profligate spending at LPRC has been its spending on vehicle fuel, fuel coupons, and fuel donations. This appears

to be a continuing problem area, although there have been some modest initiatives to reduce the scale of the problem.

Currently, the “fuel budget” at LPRC is slightly over 29,000 gallons per month, of which the approximate uses are:

- 6,500 gallons per month for LPRC generator fuel;
- 2,450 gallons per month for LPRC Board of Directors
- 12,495 gallons per month for staff allowance
- 2,880 gallons per month for “goodwill fuel coupons” that are donated to NGOs (in the health care or education fields); and
- 4,870 gallons per month for motor fuel and other operations.

Such a high level of use of vehicle fuel at LPRC seems extraordinary for a facility that does not operate the fuel tanker trucks of the importing/distribution companies and for which the only current operating site is located within a mile or two of downtown Monrovia.

At market prices of March 2008, it appears that LPRC is spending about \$1.3-1.4 million per year on fuel, with very little correspondence to the amount of fuel that is actually required for the running of LPRC’s necessary operations. The majority of the fuel budget represents badly targeted, untaxed ‘subsidies and allowances,’ rather than being for a business purpose of LPRC. While similar abuses have been noted throughout GOL on-budget agencies (see p. 64), the magnitude of such abuses seems to be particularly extreme at LPRC.

The assessment team noted that three positive measures had been taken over the past two years by the Managing Director and/or by the GEMAP Controller that were designed in part to curb abuses and improprieties in the uses of fuel and fuel coupons at LPRC.

- In 2006, the MD reduced the number of vehicles provided for personal use of LPRC employees from 70 to 6 (vehicles which are now provided only to the senior management staff); other employees now receive a monetary allowance for carfare and/or receive home-to-work transportation on the company’s four buses.
- In 2007, the GEMAP Controller introduced a system of vehicle mileage log sheets, to be used by all drivers of company-use vehicles.
- The GEMAP Controller and Chief Accountant recently urged the management to eliminate the use of “goodwill fuel coupons” as part of the further rationalization of LPRC’s charitable donations program. As a result of that dialogue with management, management has not agreed to discontinue such in-kind gifts but decided to reduce the use of such goodwill fuel coupon donations from 7,000 gallons to 2,500 gallons per month. While the reduction is substantial, the practice continues to represent a significant quasi-fiscal expenditure outside the Government budget.

Several points identified by interviewees suggest that LPRC management needs to take important further measures to curb the wasteful and inappropriate use of fuel and fuel coupons by the company. Continuing improprieties seem to include the following.

- Issuance of fuel coupons to department directors on the basis of estimated rather than actual use of company vehicles.
- Issuance of the monthly allotments of fuel coupons to employees by the Human Resources department – which creates the impression that the coupons represent a cash-equivalent allowance to the employee, particularly since they are issued at the same time as the monthly payroll checks. (Indeed, one interviewee pointed out that, unless there is a change in procedures, the GOL tax authorities might judge that all such fuel coupons could be considered an allowance that should be subject to tax as a benefit to the employee.)
- Lack of apparent monitoring of the vehicle mileage logs and lack of reconciliation between the mileage driven by a vehicle and the amount of fuel provided for that vehicle. Such supervision of the vehicle mileage logs should be the immediate responsibility of the operating departments that are in charge of the vehicles, but the finance department staff members believe that no systematic checks are being done.
- LPRC company fleet vehicles are frequently seen in town during weekends and non-work hours and are often seen carrying non-LPRC passengers.

Recommended Activities and Exit Strategy for GEMAP at LPRC

Continued role for the GEMAP Controller. The assessment team recommends that within the Finance Department, the main ongoing tasks of the GEMAP Controller for 2008 should be:

- To continue to exercise co-signature responsibility over procurement and contracting decisions and payment authorizations (rejection of falsified receipts for reimbursement,³ etc.);
- To complete the implementation of the ACCPAC automated accounting software (financial and operational modules). Training of the finance and procurement department staff should be completed by May 2008;
- To complete training and seasoning of the new Chief Accountant-designate who has been promoted, effective in April 2008, from his prior position of Senior Accountant and to complete the recruitment of a new Senior Accountant for the Finance Department (no well-qualified candidates had yet been identified at the time of the assessment team visit).⁴

³ The GEMAP Controller at FDA (who was formerly GEMAP Controller at NPA) commented that all GEMAP Controllers have seen a very high incidence of use of fraudulent receipts and documents. He suggested that the GEMAP advisors should formulate a standardized approach among GOL entities for dealing with such frauds.

⁴ The Chief Accountant from November 2006 until March 2008 had had 16 years of directly relevant experience in the U.S., and seemed to the assessment team to have been an excellent candidate to

Over time, a further goal for the GEMAP Controller during 2008-09 – with the crucial, active support of the Managing Director and Deputy Managing Director -- would be to help impose on LPRC operating departments a stronger respect for the company's formal financial controls and to impose penalties on employees who display unethical or fraudulent behavior. It appears from assessment team interviews that the Management and GEMAP Controllers at the Roberts International Airport and at the Forestry Development Authority have shown stronger and more effective leadership in those directions than has been seen at LPRC.

Assistance with development of LPRC's internal audit department. The assessment team strongly supports the request of Managing Director Greaves that USAID provide an international expert in Internal Audit, to conduct for LPRC a needs assessment of the internal audit function at LPRC (which now consists of 4 staff members). The expert would prepare recommendations for internal audit activities that should be the routine or occasional tasks of the department and would suggest priorities for early action. The expert would also review and comment on selected current operational processes that are of concern at LPRC and would recommend appropriate steps for recruitment of new staff or for training of existing internal audit staff.

Regarding the similar need for assessment and strengthening of the internal audit functions at other SOEs, the assessment team notes that National Port Authority Managing Director Tubman and NPA Board Chairman Allen expressed in March 2008 a desire for such assistance in assessment of the functions and staff (8-10 currently) in NPA's Internal Control (internal audit) department. The MD at NPA also noted that recruitment of a strong department head is needed.

Implementation of reforms and controls over use of fuel at LPRC. In light of current high world fuel prices and the currently poor state of controls over the use of fuel and fuel coupons at LPRC, USAID GEMAP contractors should assist LPRC management to design and to implement a thorough set of reforms, controls, and monitoring procedures over the use of fuel at LPRC. Two of the critical necessary elements will be

succeed the GEMAP Controller during 2008. He was regarded by the GEMAP Controller to be highly qualified in the area of internal controls and had the prospect to develop strong capability in the area of procurement. However, he has now accepted an official appointment to a high position at the GAC and has resigned from LPRC.

The new Chief Accountant, with 6 years of prior US experience, has been the Senior Accountant at LPRC since the fall of 2007, and may become a suitable replacement for the GEMAP Controller within the next 12 months. However, he is young and – in the opinion of the assessment team – further mentoring by the GEMAP controller would help him to develop the professional 'presence' to challenge questionable actions and still-frequent departures from internal control rules that continue to arise from other senior managers at LPRC.

- Allocation of fuel or fuel coupons on the basis of actual use of company vehicles and
- Monitoring of the vehicle mileage logs and reconciliation between the mileage driven by a vehicle and the amount of fuel provided.

Recent experience at other GEMAP-assisted entities may provide good illustrations of the deep economies and simple procedures that can be used to achieve large reductions in fuel use at LPRC. Reforms over use of fuel that were implemented in 2007 by the management of Roberts International Airport are reported to have resulted in a 50 percent reduction in gasoline use (see page 35, following). The potential and possible procedures for curbing abuses and dramatically reducing government-wide use of fuel has also been under study by the USAID GEMAP contractor assisting at the General Services Agency (see chapter IV.B).

Because LPRC salaries are not subject to rigid civil service salary ceilings, LPRC should find it easier to eliminate fuel coupons as part of its employee 'compensation package' in favor of straightforward, transparent compensation in cash.

Assistance with development of LPRC's procurement department. Based on discussions with the finance staff at LPRC, the assessment team developed the impression that further training and ethical sensitization may be needed in LPRC's Procurement Department – so that LPRC can obtain better prices on its procurements and can reduce incidents of fraud. This impression was reinforced by comments from the GEMAP Controller at a different SOE (Forestry Development Authority), who suggested that almost all GOL entities need more training on "how to run a procurement office." However, the assessment team did not subsequently discuss with the Deputy Managing Director at LPRC (to whom the procurement department reports) whether he agrees that there may be such a need at LPRC.

Development of the role of the LPRC Board of Directors. In discussions with the MD and with one of the nine members of the LPRC Board, the assessment team raised the question of whether GEMAP should help to organize a workshop or training on corporate governance and the responsibilities of boards of directors. They agreed that such training would be useful.

The MD also recommended that LPRC's Board, which meets monthly, should form two specialized committees – an audit committee and a compensation committee -- to develop more expertise and to devote more time to these two areas. The assessment team agrees that such committees would be useful.

Exit strategy for GEMAP at LPRC

The assessment team concluded that some of the important criteria for transition from a GEMAP Controller to a local LPRC controller and financial management team had been substantially achieved as of March 2008.

1. Institution at the SOE of procedures for internal control and the training of local financial management and procurement staff on their implementation. A draft financial manual has been prepared.
2. Production of timely and accurate financial reports (e.g., monthly financial reports to the MD and Board of Directors) are being produced regularly.
3. The Controller regularly attends monthly meetings of the Board of Directors and has opportunities for direct communication between Board members and the Controller.

However, the assessment team feels that further progress in establishment of internal controls should be achieved before the work of the GEMAP at LPRC is phased out.

To summarize, desirable areas of action or indicators of further progress in financial and internal controls at LPRC would include:

1. A strong initiative to control the abuse of fuel allowances (in order to deal with problems discussed in the section 'Expenditures for fuel,' preceding);
2. Further seasoning of the new Chief Accountant, under mentoring by the GEMAP Controller;
3. Development of a newly strengthened Internal Audit Department at LPRC;
4. Completion of a satisfactory external financial audit report on LPRC for 2007 by a private, internationally respected audit firm; and
5. Improvement of LPRC's system for records management (as highlighted to the assessment team by MD Greaves) – in keeping with the recommendation of the E&Y systems audit of late 2006 that LPRC improve the processing and filing of documents supporting all financial transactions in a manner that will make them accessible for subsequent audits.

B. National Port Authority

Background. The National Port Authority was established by an act of the National Legislation of Liberia in 1967 as a state-owned enterprise to manage all public ports within the Republic of Liberia. Of four ports (the Freeport of Monrovia, the Port of Buchanan, the Port of Greenville and the Port of Harper) two (Monrovia and Buchanan) are currently operational to international shipping and only Monrovia, through which 98 percent of the country's trade is conducted, is significant.⁵ The Accra Comprehensive Peace Accord of 2003 allocated Ministries within the NTGL and the State Owned Enterprises among the warring factions, with Liberians United for Reconciliation and Democracy (LURD) gaining management of the NPA. UNMIL assumed responsibility for port security, confronting major problems—and later supporting GEMAP specialists as they assumed duty—including violence against individuals, piracy and theft from both landside and seaside, dynamite fishing within the port, and stowaways.

NPA problems were one of the major considerations in the discussions in Copenhagen in May 2005 that led to the creation of GEMAP. The NPA is of central GEMAP concern for several reasons: not only should it be an important revenue-generating SOE in its own right, but the internal and external controls intended to assure its own revenue and expenditure streams have much broader consequences:

- Proper control over customs clearance at the port of Monrovia assures an important source of fiscal (customs) receipts for the government, and
- The port is a key node in the functioning of Liberia's private international trade.

USAID financed two international experts at NPA under the GEMAP umbrella – a GEMAP Controller and a Port Operations Advisor – who arrived in April 2006. The initial Controller was succeeded in a rotation of GEMAP assignments in May 2007; the Port Operations Advisor was removed in November 2007. The latter position has now been eliminated, in view of the incoming World Bank-financed assistance to promote operational reforms under a new Port Sector Reform project.

Port Charges, Volume, and Revenue. In 2007, the Port of Monrovia generated gross revenue of \$17.7 million (net of \$761,000 in waivers), principally from operations. This is more than double the 2004 revenue of \$7.3 million. NPA net revenues were \$3.2 million in 2007, thirteen times 2006 net of \$239,100 (the EC auditors could provide no net earnings figure for 2004, so comparable relation to pre-GEMAP net revenues is impossible). Waivers of port and storage charges, a serious problem detected in the 2005 EC audit, have continued to be a problem. While waivers without documented justification have been nearly eliminated, in 2007 the President publicly waived storage fees for expatriates returning for government posts and for humanitarian cargo, a loss of

⁵ Greenville and Harper serve the timber industry that was under UN Security Council sanction until 2007 and have not yet resumed activity.

revenue but one that, unlike the (larger) unauthorized waivers for government officials and businesses, was performed openly. Since then, waivers have been given only for humanitarian or educational cargos at the request of custodian ministries: Ministry of Health and Ministry of Education.

NPA Revenues (\$ 000)		
	2004	2007 (prelim)
Total Revenues:	\$7,322	\$17,671
Operations:	\$2,982	\$9,456
• Cargo handling	\$842	\$1,868
• Container handling	\$1,697	\$3,788
• Storage	\$358	\$3,541
• Overtime	\$85	\$259
Marine:	\$2,754	\$4,197
• Marine services/facilities	\$963	\$1,800
• Anchorage and dockage	\$1,659	\$2,208
• Port dues	\$128	\$189
• Other marine facilities	\$4	--
Miscellaneous:	\$1,586	\$4,779
• Equipment hire	--	\$10
• Land/building rental	\$590	\$2,738
• Stevedoring	\$894	\$1,727
• Other fees and charges	\$102	\$304

Source: 2005 EC Audit Report; 2007 NPA Financial Statement Report

Port charges seem to be regionally competitive. IFC surveys indicate that Port of Monrovia estimated average import costs of \$1,032 per container are slightly higher than Ghana (\$895), competitive with Guinea, Nigeria and Sierra Leone (\$995, \$1047, and \$1242, respectively) and less than half the cost of Abidjan (\$2,457).⁶

The volume of cargo traffic was 1.29 million MT in 2007, a 4 percent decrease from 2006 attributable to a permanent reduction in relief cargos and a one-time fall in rubber exports due to industrial actions at two major plantations. Virtually all this traffic (1.25m MT) was handled by the Freeport of Monrovia. Gross revenues per metric ton of traffic handled have doubled from \$6,936 in 2004 to \$13,713 in 2007. When contrasted with the 22 percent increase in volume registered over this period, this demonstrates the impact of GEMAP revenue controls. The volume trend is as follows:

Year	Import	Export	Total
------	--------	--------	-------

⁶ The cost comparison is for a 20 ft container with standard goods, and includes fees for documents, administrative fees for customs clearance and technical control, terminal handling charges, and inland transport. Excluded are tariffs, trade taxes and unofficial costs. Maritime transport costs are not included because these will vary by location of each country relative to destination.

	(mt)	(mt)	(mt)
2003	412.1	136.8	548.9
2004	843.5	212.2	1,055.7
2005	890.5	257.9	1,148.2
2006	1,110.5	226.8	1,377.2
2007	1,022.4	266.2	1,288.6

Infrastructure and Major Procurements. The facilities and equipment of the Freeport are seriously dilapidated. All containers continue to be handled by ship's gear, the port lacking any serviceable container handling equipment. The World Bank and other partners made early efforts in 2004-05 to promote improvements to the infrastructure and inefficient management at the Port of Monrovia. The Bank programmed assistance in 2006 for urgent port repairs (dredging the entrance channel, repairs to the oil jetty, repairs to the marginal wharf, purchase of fire fighting equipment). Similarly, the partners urged rapid action by the Government and NPA to cancel a flawed NTGL container-park contract (this was done in 2005) and in 2006 to conduct a proper competition for private management of the all-important container operations at the Port of Monrovia by a qualified operator.

However, in the 2006 competition under the pro-reform Sirleaf administration, the NPA management refused to follow basic international standards and procedures for transparency and governance and awarded contracts under methods that failed to meet the standards of Liberian law and were considered unacceptable by Liberia's international partners. In particular, NPA issued a container-handling contract to an unqualified bidder without a cost proposal, and later revised the terms for scoring expressions of interest after the EOIs had been received. The following sequence of events ensued.

- A Ghanaian firm named Safebond, considered neither qualified nor lowest-cost bidder by the International Partners—was permitted by the government to assume operations in 2006. Prices were negotiated only after Safebond had been named the winner of the tender and all other bidders eliminated.
- The NPA had not created an alternative source of equipment by the time the original lease expired in October 2006 nor, again, when the extension expired in January 2007, although the a consortium of shipping lines and agents had offered to provide services at \$10 per container if the shipper were not a client of the partners (half the Safebond contract price, applicable to all shipping lines) and free to their own clients.
- In late 2007 NPA opened bidding for a new lease of equipment in view of the termination of the Safebond contract at the end of January 2008. Bids were opened and in spite of many potential bidders buying the bid document, only two bidders⁷ submitted their proposal, one being Safebond and the other believed to be a

⁷ The TOR of the proposal was considered by international experts to have been written to support the bidding status of Safebond.

phantom bidder intended to create an image of competition. At the time of evaluation of the financial proposals by the Procurement Committee, the then-GEMAP Senior Port Advisor (who was sitting as a member of the Procurement Committee at the time) made a vehement objection to these irregularities in the bidding process. This had the effect of stopping the process of awarding that proposed new contract, and NPA did not re-compete it.

- A plan to let a contract for operation of a container park (inclusive of, but much broader than simply leasing equipment) was abandoned after protracted conflict at the pre-qualification stage, and Safebond continues to provide equipment despite expiration of the extension without further public tender.
- The March 2008 invoice paid to Safebond was around \$120,000 (of a budget of \$200,000 per month). The NPA has rehabilitated some of its own equipment, but the equipment is operating with many breakdowns due mainly to lack of maintenance and spare parts. In the meantime, the two most important shippers, Maersk and UNMIL, provide their own equipment rather than use Safebond services. Clients complain of bad service due to lack of adequate equipment.
- In 2008, Safebond is asking for a two-year contract to back a bank loan for new equipment (its contract is currently extended non-competitively on a monthly basis).
- Partly as a result of this repeated and continuing failure by NPA to observe international competitive bidding, the World Bank has refused to move ahead with its proposed capital procurements that would serve to subsidize a monopoly. Only the dredging (without which the port could have become inoperative for normal-sized vessels) was performed and financed by the World Bank, although a contract for replacement of the oil jetty is now close to implementation, after resolution of many technical problems. Other procurement has been delayed.

In December 2007 the Government, the Port Authority and Liberia's major international partners signed a memorandum of understanding calling for a "holistic reform of the port sector based on a PPP concept" which will recommend the type of PPP (through a concession) to be introduced. More or less simultaneously, the World Bank has drafted and issued the limited Request for Proposals for technical assistance under an NPA Reform Support project. These activities, assuming that they can be concluded successfully, aim at the transformation of the NPA from a Public Service Port Operator and Manager into a Landlord.

GEMAP faces several challenges going forward. The key challenge to the NPA will be successful implementation of the Landlord model, led by the World Bank. However, the progressive tightening of GEMAP controls will still be essential in the interim. The GEMAP controller must assure the improvement of the NPA's interim financial performance. Among the needed activities are capacity building in accounting and internal audit; establishment of controls to reduce evasion of port fees and theft at the port, curb corruption in procurement, billing and collections; improve the accuracy of financial reporting and institute internal controls. Given the importance of the Port to the

economy and indirectly to government customs revenues, these activities would be strengthened under GEMAP.

Enterprise Management and Work Force Issues. The elected government that came to power in January 2006 appointed a mostly-new management team that was fired 15 months later and replaced by an interim management composed of three Board members. A new Managing Director for NPA was installed in June 2007 and a new Chairman of the Board appointed in August.

The NPA administration has undertaken some of the reforms proposed in the 2005 EC audit, including the initial downsizing in the number of employees from 1705 in 2005 to 1334 in February 2006, 1074 in November 2006 and 750 in March 2008. At the time of writing this report, this last projected level has been attained by NPA reducing its task force by 324 staff at a cost of \$1.8 million in severance fees paid by its generated revenues.

The GEMAP experts began in 2006 to identify corrupt schemes within the NPA financial operations and to identify avenues used for fraud related to customs payments, payroll, car import, weigh bridge and exit gate, billing and accounts receivable for vessel services. The close linkages between fraud in port operations and customs fraud come together in the NPA, as demonstrated by the initial GEMAP Controller's report on controls at the exit gate that highlighted procedural and workforce irregularities and recommended changes needed to reduce such fraud and evasion of fees and taxes (Annex I). This report, from February 2007, was not known to current senior management at NPA or the Board Chairman at the time of this review.

Financial Management and Control of NPA Revenues and Expenditures

From January to November 2006, NPA had a local comptroller – until she was suspended, pending investigation of allegations brought against her by the Dock Workers Union. From November 2006 to November 2007 the GEMAP Financial Controllers acted as NPA Comptroller. A new comptroller arrived in November 2007. The finance office has a staff of approximately 70 (reduced from 125 prior to March 2008), reporting to this comptroller. The GEMAP Controller placed at NPA has three local staff hired though subcontract.

The Board appointed in mid-2007 has taken an activist role, including an active role for its Finance Committee that since December 2007 has been working directly with the GEMAP Controller.

Though the introduction of ACCPAC software will improve the potential power of the accounting system of the NPA, its implementation has been stalled in early 2008. While the database has been created in the GEMAP Controller's computer, management had postponed implementation of ACCPAC, the stated reason being the deep and stressful

downsizing exercise planned for and executed in March 2008. Accounting data for January 2006–December 2007 have been recorded in the general ledger and monthly and quarterly reports have been produced since December 2006; the data entry exercise revealed significant errors in the manually-generated accounts, such as duplicate entry of one month's \$300,000 payroll. Since late 2007, however, the new local Comptroller, who supervises the Finance Department, has relied on manual systems, which he believes can produce more rapid statements. He intends ACCPAC training to commence only after the completion of an external audit of NPA that is planned by the General Accounting Commission (GAC) to begin in April 2008.

No external audit has been performed since the EC-financed systems audit in 2005, partly due to the absence of a general ledger and the poor state of the financial records. An external auditor engaged to audit the year 2005 was unable to do so and was only able to establish opening balances as of January 1, 2006. This at least provides a baseline for future audits.

The GEMAP Controller also identified weaknesses in internal audit, including failure to reconcile accounts to the bank statement and to justify balance sheet figures by supporting lists of accounts receivable and accounts payables. A training program for internal auditors was developed and started in January 2007, but the manager was dismissed and the training stopped.

In 2007 the GEMAP Controller found that, as had been detected in the 2005 audit, the Port of Monrovia continues to receive numerous containers that are tallied but not manifested and thus avoid the payment of port and customs fees. Discovery in 2007 of a sheaf of misplaced records indicated that in 2006–2007 22 vessels had arrived and been tallied, but had not been manifested—so that approximately \$160,000 in fee revenue due the Port had not been invoiced or collected. The MD believes that this represents an oversight due to a heavy work load and poor organization and has been corrected, and that only 22 containers—not vessels—were temporarily misplaced and eventually processed, but the Director of the Management Internal Controls section (who has since been transferred to Archives) disagrees.

GEMAP Controllers have also identified at NPA: revenue lost through granting of credit to cash customers, fraudulent counterfeiting of bank deposit slips demonstrating payment of fees by certain clients, petty cash account fraud, and waivers of fees.

Among the GEMAP problems resolved, the abuse of waivers of storage and port fees was resolved by an abolition of waivers in the 4th quarter of 2007. There is no blanket prohibition, but the process is under the joint supervision of the GM and the GEMAP controller, who can authorize partial waivers requested by custodian ministries for educational and humanitarian cargos. Employees who were caught in the major discovered incidents of petty cash account fraud and in the conspiracy to counterfeit bank deposit slips have been fired.

However, the NPA continues to face similar problems going forward that require GEMAP oversight. The diversion of revenues has been reduced but not eliminated; indirect evidence of this includes the refusal to introduce appropriate measures that would prevent known avenues of diversion, the promotion to supervisory functions of persons central to exit-clearance operations that have been prone to fraud, and accusations of continuing personal corruption within the NPA by dismissed employees. The NPA/MOF/MOC/LNP investigation of exit pass fraud (see Annex) notes several areas in operations where such fraud occurred, together with the connivance at the exit for it to go unreported and unpunished.

Recommended Activities for GEMAP at NPA

Continued roles for the GEMAP Controller. Across SOEs, the assessment team considers that the process of recruitment, training, and development for a Host-country Controller – to serve as the permanent successor to the IRFC -- has been working best when the GEMAP Controller has had full line responsibility for the finance department staff. Full line responsibility has been given to the GEMAP Controller

- continuously at LPRC and FDA from April 2006 to the present;
- at RIA since September 2007 when a poorly performing, dual local controller was terminated;
- at NPA during April-October 2007, before the current dual local comptroller was hired.

Putting the GEMAP controller in the line of command facilitates staff development, training of junior staff by the GEMAP supervisor, gradual delegation of authority as the more junior staff demonstrate improved skill in the requisite areas, and leads to “advancement through promotion” – as opposed to the riskier approach of recruiting an outside-hire into the most senior financial position. Given the scale of operations at the Freeport, the size of its finance department, the vacancies for chief accountant and senior accountant, and the breadth of the problems at the NPA, this may require a second, internationally recruited GEMAP financial management expert.

When the alternative “dual structure” has been attempted – dividing the financial management and supervision responsibilities between a GEMAP controller and a local controller named by the SOE MD or the SOE Board – the result appears to have been unsatisfactory. This dual approach was followed at the RIA during March 2006 to September 2007 and at the NPA, during January-November 2006, and from November 2007 to the present.

The assessment team recommends that the GEMAP controller at NPA continue for at least two more years, until the implementation of the World Bank-financed Port Operator. This is based on the continued importance of the co-signature controls in the NPA. Moreover, due to the size and complexity of NPA and Freeport (and related

Customs revenue to the government) activities, the dedicated local VOSCON accounting and investigative staff of two persons (an accountant/auditor and a computer technician) also seems necessary.

During this extension, the team proposes the following role for the GEMAP Controller:

- continued co-signature responsibility over procurement and contracting decisions
- if feasible, replacement of the “dual controller” setup with “unity of command” for the finance department at NPA. This would require revision of the TOR (per Chairman Allen’s current understanding, the TOR does not include line authority) or clarifying the role of GEMAP Controller to include supervision of the Finance Department. An IRFC should be directly involved in the recruitment of the next Chief Accountant/Controller-trainee/Controller-designate at NPA
- completion of the procurement and implementation in use of the ACCPAC automated accounting software (financial and operational modules). This will require substantial on-the-job training by the IRFC.

Assistance with development of checks and balances at NPA. The internal audit function of NPA is practically inexistent. While the results of the March 2008 “right-sizing” are yet to be demonstrated, the capacity of the staff remains weak, and insufficient for the needs of the institution. An assessment and development of the internal audit function at NPA would improve this capability. Chairman Allen and MD Tubman agreed on this point. Besides training in the audit function and restructuring the internal audit function to favor diagnostic audits rather than ex-ante dual controls, direct reporting to the Board of Directors would lead to a more pro-active use of this capability.

Development of the role of the NPA Board of Directors. The NPA Board of Directors is dominated by senior representatives of the Government. The Secretary of State has expressed a desire to see development of corporate governance capabilities of such a board, a view supported by the assessment team. Such assistance would also permit Board members to use more effectively its relation with the internal and external audit functions, to improve its informed governance of the SOE. The new Board has become actively involved in governance and accounting issues, one of the important GEMAP objectives.

Strengthening of cargo and vessel monitoring procedures and controls.

As described to the assessment team by the NPA Board Chairman and by officials at the MOF and Central Bank of Liberia (CBL), the NPA forms an important link in a proposed “one stop clearing house” program to improve both port and customs operations. In this proposal the clearance for Port charges, the inspection agency BIVAC, and the Ministries of Commerce and Finance will be co-located with payment cashiers of the CBL in the Freeport. Shipment data recorded in BIVAC datasets overseas are linked to the electronic Bank Payment Slip Flag Receipt System (Chapter V) created with USAID assistance in 2006 which ties payments to the MOF to the corresponding CBL accounts in order to assure timely and full payments. This system is

to be extended to the other SOEs that generate revenue and handle tax and customs fees.

GEMAP is assisting in the resolution of several problems:

- Improvement of the financial reporting;
- Implementation of a computerized accounting system;
- Computerization of payroll, achieved in August 2007 with payment by check rather than in cash and taxes withheld at source.
- Restriction of payment by customers of invoices over \$250 to cashier checks instead of cash to minimize fraud by fraudulent bank deposit statements;
- Termination of the practice of easily waiving charges for storage.
- Reduction of credit to customers.
- Reform of the petty cash policy (following the discovery of a major fraud in the finance department).
- Strengthening of the Finance Committee so that it leads the financial matters at the Board level;
- The ongoing introduction of a "One-Stop Clearing House" which provides the potential to reduce fraud reported in Gate documents (Annex I).
- The GEMAP Controller was also instrumental in the veto of a \$1 million loan for the acquisition of a tug boat when it became known that USAID would not finance it.

Going forward, GEMAP must address several challenges:

- ACCPAC must be introduced quickly and broadly, to control the port operations and produce reliable financial statements as well as accurate figures essential for discovery purposes for the bidders in a PPP model.
- The roles and line of responsibility of the IRFC and the NPA's own comptroller must be clearly delineated, as described above.
- Re-engineering of current operations procedures (especially at the Exit Gate, the final control, as described in Annex I) is a priority and should be addressed through a MOF, MOC, BIVAC and NPA working group.
- Internal audit capability is inadequate and must be improved through training and direct accountability to the Board.

An exit strategy for GEMAP at the NPA, the largest SOE with the greatest potential for abuse of both its internal finances and its role in fiscal (customs) revenues, must be based on establishment and demonstrated implementation of clear, transparent procedures, direct accountability of the finance department to a single controller, and development of checks and balances including a strengthened internal audit capability and sensitization of the Board as to its duties and prerogatives in financial management. The assessment team does not see an immediate exit for GEMAP at NPA but believes that these steps, which have been demonstrated at other SOEs, would set the path for an exit.

C. Roberts International Airport

Background. Roberts International Airport (RIA) was built by the U.S. Military during World War II and operated under lease by Pan American Airlines from 1941 until 1984. The airport suffered severe damage during the civil conflict. The 2-mile-long runway became inoperable due to damage from bombings, the main terminal building burned and terminal operations transferred to a converted cargo building, and operations had to be suspended in 1990. In December 1997 RIA was re-opened for commercial flights. Following the 2003 Accra Peace Agreement, the UN mission in Liberia (UNMIL) secured RIA and stationed troops which are still operating security and UN functions within the airport. UNMIL drafted standard operating procedures, which is a comprehensive guideline for UNMIL, the Liberia Business Corporations Act (BCA) and the RIA Authority (RIAA).

In 2005 a World Bank assessment led to two reports: 1) emergency works required to meet minimum international standards per ICAO requirements and 2) an Airport Master Plan. RIA serves all international flights to Liberia, and its services and revenue are projected to expand rapidly once international standards have been met.

RIA lacks a well-defined legal status, having neither an Act of Legislature nor Articles of Incorporation. As such, the objects and powers of the airport, its relationship with Government, the formation and composition of the Board of Directors, the structure of management team, executive compensation, audits and financial reporting are left to the discretion of the national Government and RIA management. RIA is currently seeking an Act creating an Airport Authority which would provide the legal basis for engaging in a PPP for airport operations.

Airport Charges, Volume, and Revenue. Aeronautical revenues have increased by 51 percent between 2005 and 2007; cargo revenue, while small, has more than doubled. Two airlines have begun service and one airline has increased flight frequency, offsetting the suspension of flights by two airlines, a reduction by one air cargo operator, and a decline in UN humanitarian cargo. Net operating income has improved from a half-million dollar annual loss to nearly \$1 million net income. RIA is not currently a net contributor to Government revenue, but no longer receives a subsidy from the Government, as had been the case until 2006. RIA continues to receive a contribution of free electricity from the Firestone Rubber Plantation.

Besides fees to RIA, aircraft operators must pay fees to other agencies, particularly the Civil Aviation Agency (CAA). The current administration inherited a regime in which aircraft landing fees were transferred to the Ministry of Transportation and 60 percent of the safety and security fees were paid to the CAA, the latter ostensibly for safety and security services provided that were in fact provided by RIA; those transfers have now been terminated.

**RIA Revenues and Expenditures
(US\$ 000)**

	2005	2007
Total Revenues	\$2,955	\$4,067
Aeronautical revenues	\$2,378	\$3,595
Aircraft landing fees	\$665	\$1,009
Aircraft handling fees	\$765	\$862
Passenger service charge	\$767	\$1,190
Cargo service charge	\$182	\$394
Safety and security fees	\$32	\$30
Other fees	\$0	\$99
Non-aeronautical revenues	\$577	\$465
Premises rental	\$101	\$96
Trolley fees	\$7	\$8
Vehicle parking	\$6	\$4
Grant and subsidy	\$475	\$360
Expenditure	\$3,503	\$3,113
Salaries, wages, benefits	\$1,093	\$1,394
Materials, supplies, services	\$794	\$645
General and administrative	\$640	\$528
Repairs and maintenance	\$271	\$239
Depreciation	\$705	\$307
Net Income	(\$548)	\$954

Source: RIA Financial Statements December 31, 2005 and December 31, 2007 (unaudited)

Infrastructure and Major Procurements. The World Bank and USAID are financing the emergency works required to meet minimum international standards identified in the 2005 study, while the Government is financing renovation of the temporary passenger terminal.

The 2005 EC-funded audit (of 2003-4 accounts) noted that neither a procurement committee nor a procurement process manual existed, and that most cheques for procurement were written to Cash or in the name of the Purchasing Manager. Records have been poorly maintained in the past. For instance, the value of land was calculated based on a record of 2,600 acres, until a survey conducted in 2005 revealed that RIA's actual demarcated acreage is 5,011. RIA management has contracted with a firm to perform a catalog and pricing of assets.

Enterprise Management, Work-Force Issues, and Financial Management and Controls

The current General Manager (GM), Abraham Simmons, assumed his duties in May 2007, replacing the first January 2006 Presidential appointee. Under an August-September 2007 restructuring and downsizing approved by the President and the RIA Board, two Deputy MDs were compressed into one, supervising four Group Managers.

There was a downsizing of overall staff. Under this restructuring, the position of local Controller — which had been abused by the incumbent — was eliminated, with the GEMAP Controller assuming line responsibilities. The post of procurement manager— also abused—was eliminated and the function replaced by a competitively-recruited procurement agent. The Finance Department was downsized from 13 to 8 (including two in the warehouse). As planned during the reorganization, an internal auditor who has had internal audit experience at the Bank of America has been hired, effective in March 2008.

The Board consisting of six members is chaired by the Minister of Transport; two members are from the business sector. The Board meets quarterly; although it may hold more frequent meetings, this practice is discouraged except for extraordinary circumstances as a cost-saving measure. The GEMAP Controller reports to the GM. A good working relationship is reported.

The Board now receives financial statements two weeks before its quarterly meeting. A finance committee, whose meetings are attended by the IRFC but not the Chief Accountant, concentrates on the budget process. Board authorization is required when threshold values have been passed in purchase orders, contracts, line items or variations from budget.

The Chief Accountant received his job through transparent internal promotion and the RIA – as part of a company-wide education assistance program -- is paying for his enrollment in an MBA program, both increasing his capacity and building loyalty. Under guidance of the GEMAP Controller, tasks are being delegated by the Chief Accountant, senior staff are encouraged to continue such delegation to lower levels rather than assuming all tasks themselves,⁸ junior staff are to be promoted based on demonstrating ability and this training may be extended to them.

- Significant GEMAP issues or problems that have been resolved or are in resolution:
- Under previous management, the IRFC co-signatory authority was permitted only *a posteriori*, to the signature of the check for payment, making abuse a *fait accompli* (e.g., a generator ordered and installed by the previous GM for his personal residence). Under new management co-signing applies *a priori* at the procurement (purchase order) level; the GEMAP Controller approves financial transactions at several stages.
- During 2007, the GEMAP Controller initiated and the RIA management implemented a major reform in the provision of fuel and fuel coupons for RIA vehicles. Under the new user-by-user allotment system in mid-2007 (which had been resisted by the former local Controller), a monthly review is undertaken by the GM that holds each

⁸ This appears to be developing skills in depth, rather than concentrating capacity building to a shallow top level of already highly qualified managers. More senior staff is required to spend more time guiding and correcting the work of its junior members rather than protesting that the capacity is not there.

Group Manager accountable for consumption in his areas of control; deviations are corrected to prevent backsliding, and RIA gasoline consumption has dropped by 50 percent.

- Improvements in the overall internal control structure for the financial management operations, and in particular, over receipts and payments, moving from a cash-based transaction system to a check-based and mostly account customer (customers paying by check and on a two-weekly and/or monthly basis) system.
- Progress on installation of automated accounting system, training of accounting staff in the ACCPAC accounting software that took place in Accra, procurement of hardware and soon to be introduced invoicing and billing in a computerized environment (introduction of ACCPAC for billing purposes should further reinforce the internal control environment surrounding billings and payments).
- More effective control over inventories (warehouse administration is under the Finance Department), introduction of rules and regulations over the purchase, custody and use, abandonment and disposal of fixed assets, in particular over motor vehicle running costs and use of generators.
- Improvements in filing and records management that helps with a better audit trail, and thus providing for more effective audits of the accounting records.
- Progress in preparation of annual financial statements that correspond with the international standards.

GEMAP problems in enterprise management going forward may include:

- The current rapid reform depends on the personal teamwork between the GM and the IRFC, not institutionalization of the process of reform.
- Some of the problems of corruption interfering with clients and airport operations may lie outside the realm of RIA management. RIA fees represent only part of the cost of passenger ticket fees and freight costs. CAA fees or additional requirements (some of which are formal, some informal, in nature) faced by clients have contributed to the withdrawal of at least one airline and increase costs for others, discouraging growth in service.
- Mentoring and promotion based on performance must be extended to other departments, to which extent the recent appointment of a HR specialist originally recruited under the TOKTEN program is a useful beginning.
- RIA must recruit a BOT specialist to assist it develop its strategy.

Progress in financial management and controls. RIA has moved from a position of net loss and negative net cash balance at end-2005 to a modest income and comfortable balances at end-2007.

RIA was audited for 2003-4 under the EC 2005 SOE audits, and, at the request of the GM was audited by international auditors for 2005 and 2006. The 2007 audits will be done by a local firm. Independently the GAC has notified RIA that it will be subject to audit, though no audit has yet been commissioned. The GM and IRFC see annual

independent audits as essential as the RIA prepares for a possible BOT model for airports operations.

The EC 2005 auditors noted that parts of the financial statement could not be explained by staff as they had been modified by the RIA's local external auditors, in violation of basic accounting principles; the auditors in turn refused to provide explanations to the EC auditors. RIA had also engaged in a practice of setting off revenue items against expenditure items and posting the net balances into the ledger leading to misleading information in the financial statements, not to mention the distortion of the audit trail. This practice has been corrected.

The 2005 auditors noted that cargo billing and collection had been in the hands of a single individual in the Operations Department, facilitating concealment of revenues (much in cash), and that much cargo was not accompanied by air waybills. The Operations Department would draw on this cash for its own purchases before passing the balance to Accounting. Other abuses included a 50 percent waiver for of "humanitarian goods" without rules for determining qualification, with the decision made on an *ad hoc* basis by staff, and the Operations Department handling cash receipts at hours the Accounting Department is closed, for instance with night flights. These have been corrected under the IRFC, though some operations still escape invoicing. Passenger service charges that were previously paid in cash at check-in are now billed to airlines and included in the ticket price. UNMIL—and charter flights on behalf of UNMIL—now pay fees, some of which had previously been waived along with customs duties for which it is correctly exempt. Cargo remains a problem, with some handling done outside the formal operations.

As was pointed out in the EC audit, the waiver policy had significant implications for the collection of taxes and customs duties on air cargo by the Ministry of Finance:

Tax collection at RIA from January to September 2004 yielded approximately US\$295,017.11. Over the same period, exemptions and waivers from taxes were approximately US\$1,073,763.46 which did not end up in Government account. Thus, without these exemptions and waivers, the Government could have realized significantly more revenues. Some of these exemptions may be legitimate and cannot be removed, but some of the beneficiaries of exemptions are questionable.

The auditors noted that profit-oriented companies like Lone Star Communications had benefitted from waivers.

Waivers of storage fees continue to be a problem despite GEMAP: in 2006 the President instructed RIA to waive \$144,000 of \$165,000 due in warehouse fees by incoming administration officials; in the temporary absence of the IRFC this government obligation was waived but the MD and IRFC subsequently issued instructions prohibiting waivers. The RIA, as a handling agency not a storage facility, has implemented a process of alerting customers to avoid accruing storage charges.

Problems raised in the EC audits that are resolved or in resolution in the areas of financial management and control include:

- Cash revenues are now handled by the Operations Department rather than Accounting.
- All waivers have been stopped, though this might not survive if the GM departs and is replaced by a less strict manager.
- Payroll is now by direct deposit rather than in cash.
- An accounting system (ACCPAC) was installed in January 2008; training has begun. The Communications Department (which is also responsible for navigation aids) will assume the role of an IT Department.
- Staff believes that systems in place now permit line employees to say 'no' to managers making illegal disbursement or cash requests.

Recommended Activities and Exit Strategy for GEMAP at RIA

Continued role for the GEMAP Controller. Both the IRFC and the Liberian Chief Accountant report that a good mentoring model is in the process of being established to delegate responsibilities and promote staff to fill higher positions based on performance. The capacity building aspect of the GEMAP role is largely complete and does not by itself justify further continuation of the IRFC position.

Assistance with development of RIA's procurement and concessions functions prior to GEMAP exit.

- As in the other SOEs, the procurement process requires reform
- In the medium term, management, including the GEMAP controller, is facing new issues as an operating model for RIA is developed in its new legal organization. Transparent methods must be established here as in other SOEs for the awarding of airport concessions, for which a PPP is under consideration for future operations.
- There will be a need for RIA to consider proposals for ancillary facilities apart from the main airport operations. For example, RIA had received a proposal from a developer to build and operate a hotel. In that case, although no transaction occurred, the consideration to award that concession was considered to involve a conflict of interest that should have been avoided. Such awards of concessions are an area of concern regarding economic management and governance going forward, where GEMAP assistance should be continued to ensure a competitive and transparent process and the receipt of value for money by the GOL.

However, other GEMAP problems remain going forward can be appropriately addressed as part of the exit strategy of the IRFC:

- There continued to be problems with cargos that escape both invoicing and MOF controls. This may be addressed by the planned extension of the BPS/ Flag Receipts System to the airport (Chapter V).
- ACCPAC is still not completely installed and has bugs that are slowly being resolved, with help from a consulting firm, Coastal. There is some staff resistance to ACCPAC and its inherent controls which may cause problems going forward. In the meantime, the system lacks cross-checking of the revenue stream, timely reporting, and full transparency. Debugging was projected to take 8-12 months, after which periodic review is a minimum requirement. Effective functioning of ACCPAC requires development of controls in a computerized environment. It entails institution of security and maintenance arrangements as well as a host of other support structures to ensure both a smooth transition and also an irreversible migration from a manual financial management system to an automated environment.

D. Forestry Development Authority

Background. FDA was established in 1976 as an autonomous para-statal agency reporting to the President. FDA is subject to the overall budget allocations, controls and processes of the Bureau of the Budget and the Ministry of Finance – although this was not consistently so in the past. The Board of Directors has nine members, drawn from the Government and the private sector.

Liberia's state-owned forests contain a substantial amount of high-value tropical timber. Although official Liberian statistics showed much lower levels of timber exports during the civil war, it appears from partner-country trade data that by 2001-02 Liberia's exports of such timber became the largest category of exports – exceeding even the value of rubber exports. The discrepancy can be linked to the poor financial management of the revenue from timber exports during the Taylor Administration (1997-2003), including substantial leakages of tax revenue, improper awards of timber concessions, weak or no control and monitoring over the chain of custody for logs, and poor control and accounting for operational expenditures. Independent observers linked the revenue from these timber sales—along with diamond revenue—to regional arms trafficking and Taylor support to militias in Sierra Leone, Guinea and later, Côte d'Ivoire. In response, the UN Security Council imposed sanctions on import of timber and diamonds from Liberia.

During the NTGL administration (2003-05), despite being under UN sanctions against exports of tropical timber, the NTGL had continued to award concessions to private logging companies. However, a 2005 Forest Concessions Review by the Liberian Forestry Initiative (LFI) determined that all of the logging concessions conducted during 2003-05 had been improperly awarded. Executive Order No. 1 of the Sirleaf Administration, signed February 2, 2006 (17 days after inauguration), declared all timber concessions awarded by the NTGL to be null and void.

In January 2006, the newly elected Government appointed John T. Woods as Managing Director of the FDA. The first GEMAP IRFC arrived in April 2006. UNSC sanctions on timber were lifted in September 2006.

Current and Prospective Revenue. After the imposition in 2003 of UNSC sanctions that prohibited any country importing Liberian timber, the revenues billed by FDA and (since 2006) collected by MOF from commercial forestry operations declined to low levels. Such revenues, currently coming only from license fees for local sawn timber and charcoal, amounted to only \$519,000 in FY06/07. However, following recommendations of the UN panel of experts,⁹ new concessions under a transparent

⁹ Panel of Experts on Liberia appointed pursuant to paragraph 19 of United Nations Security Council Resolution 1343 (2001)

system with adequate social and environmental safeguards are being awarded in the first half of 2008 for logging and export of hardwood timber. Thus it is expected that total timber revenue to be collected from land rental fees, stumpage fees, and export fees will climb sharply. In this connection, smaller Timber Sale Blocks may be awarded by FDA, while larger, longer-term Forest-Management Blocks will need to be awarded under the President's signature and ratified by legislature.

The *Sustainable Commercial Forest Production Plan, 2008-2013* projects that net taxes and charges for all timber sales in Liberia, beginning in FY2008/09, will average about \$22 million per year. The payment of such taxes to the Ministry of Finance will be regulated and ensured with the assistance of an internationally selected "chain-of-custody" (CoC) management company. Since most of the fees that the CoC contractor will receive will represent a percentage of the fees (amounting to roughly 10 percent of total revenue) that have been invoiced and paid to the MOF by the logging contractors, the CoC contractor will have an incentive to fully bill the contractors for the fees that are due. Nevertheless, there will remain a risk in the system that certain individual managers and/or field officials (from the CoC contractor team or FDA staff) might collude with loggers to falsify reports from the field and to understate billings in exchange for kickbacks.

A second source of risk for the forest management blocks that will be awarded in the future would be that the FDA would not conduct the bid appropriately or would not detect (as it should through due diligence) any misbehavior by the bidders. There are many ways problems could arise, e.g., inaccurate inventory of timber assets in bidding documents, information leaks, false documentation submitted by bidders, biased evaluation, manipulation of the reserve price, ignoring faults in the prequalification or bid submissions, unwarranted disqualification of bidders, skewing the prequalification requirements.

FDA records indicate that, for their past activities, logging companies still owe land rental fees, stumpage fees, and other fees to the FDA amounting to \$29 million and the 2005 Forest Concession Review demonstrated that overall arrears to the Government of Liberia may be in excess of \$64 million. Responsibility for collection of those receivables is in the hands of the MOF.

Purposes and Design of GEMAP Assistance at the FDA. In 2005/06, when GEMAP activities were planned and initiated, the EGSC partners expected that when sanctions were lifted, FDA would become a major conduit for government revenue and that GEMAP would need to assist FDA with

1. Developing a "management contract" for the private CoC contractor -- to ensure proper billing and collection by the GOL of fees from future timber sales (and subsequently assisting the FDA with its necessary oversight for the CoC contractor);

2. Developing the tenders and participating in or monitoring the evaluation process for bids, to ensure that new timber contracts would be competitively and transparently awarded; and
3. Introducing effective financial and management controls over FDA's procurement and other operational expenditures.

The Terms of Reference called for the GEMAP Controller to exercise binding co-signature authority with the FDA Managing Director in all three areas. However, because of delays in the first two—significant revenue—areas during 2006-07, the tasks of the GEMAP Controllers at FDA, until September 2007, were limited mainly to the reform and improvement of FDA's financial procedures and controls over procurements, payroll, and operational expenditures. Also, the Sirleaf administration, with strong IMF support, immediately centralized in the MOF all revenue collection that had previously been entrusted to ministries and agencies, greatly reducing the FDA's fiduciary role.

In the first area, USAID and the U.S. Forest Service participated during 2006-08 in the design and tendering of the chain-of-custody management contract that has led to a recent award to the Swiss investigation, verification, certification and testing firm Société Générale de Surveillance (SGS). As part of that award, to cover the cost of start-up operations of SGS, USAID will pay SGS initial fees totaling \$1.64 million. However, the contract now provides that SGS will do the billing of fees to be paid by the logging companies and that SGS will enforce collection by the withholding of future permits.

As supervisor of the CoC contract, FDA will still be responsible for ensuring that billings are accurate and complete and that money is collected. However, contrary to the practice at other SOEs, which do their billings and collections in-house, the FDA has now outsourced these functions. Thus, the role of the GEMAP Controller at FDA – in supervising the billing department and its accountability for the accuracy and completeness of billing and for effectiveness of collection – is more indirect.

In the second area, the most important role for the GEMAP Controller at FDA is, or will be, to help ensure the integrity of the tendering process for new logging contracts in 2008 that the FDA is responsible for awarding. As required by the Public Procurement and Concessions Act, all contracts for significant Forest Resources Licenses must be tendered to the public. In addition, FDA developed with LFI assistance and adopted in September 2007 a set of ten core regulations -- including Regulation 103-07 on *Regulation of Bidder Qualifications*; and Regulation 104-07 on *Tender, Award, and Administration of Forest Management Contracts, Timber Sale Contracts, and Major Forest Use Permits*.

Under the GEMAP agreement, the GEMAP controller at FDA must co-sign each Timber Sale Contract that is awarded. An initial six Timber Sale Contracts (for a maximum of 5,000 hectares each and limited to 3 years) are now being competed in the first few

months of 2008 – for awards to Liberian companies. An inter-ministerial bid evaluation panel reviews the bids, reviews the business plans, and conducts a due-diligence assessment of the high bidder/s. At the invitation of FDA, the resident U.S. Forest Service advisor (a position scheduled to continue to mid-2009) participates as an observer in the bid evaluation panel.

Three larger, long-term Forest Management Contracts (in the range of 50,000 to 400,000 hectares, a maximum of 25 years, and considerable evaluation/scoring complexity in that, unlike timber sales contracts, they involve commitments to provision of social services to the population residing within these concessions) are also being tendered, with bids due in April 2008. A similar bid-evaluation process will be conducted. For these larger contracts – which will account for the vast bulk of revenue – it is planned that the GEMAP Controller would only serve to ensure that the tender and bidding process was appropriate. It is not planned that the GEMAP Controller would co-sign these larger contracts – which will be subject to final approval by the President and legislature.

Financial Management, Internal Controls, and Work-Force Issues

The GEMAP Controllers at FDA seem to have made or contributed to the following major improvements in financial controls and procedures at FDA:

- To replace manual accounting, FDA's automated accounting system software is now partially deployed, such that financial records are computerized.
- With few exceptions, expenditures are no longer made in cash and a system of direct deposit of salary payments has been introduced for all employees.
- Monthly financial statements of income, expenses, and cash flow were initiated by the GEMAP Controller in May 2006 and are now prepared monthly by the Financial Manager at FDA.
- A Manual on Internal Controls covering nine FDA procedures has been completed during the past year.¹⁰ Planned sections of the Manual relating to two additional controls or procedures have not yet been completed.

The following policies or examples seem to illustrate the checks and balances and/or proactive role that GEMAP Controllers have played in providing in making effective internal controls work within FDA:

- The GEMAP Controller has line-management control over the finance department staff and utilizes regular finance staff meetings to conduct training of the staff.
- An FDA Financial Manager was recruited and, with the recommendation of the GEMAP Controller, was hired by the FDA in December 2006. The Financial

¹⁰ The nine areas of internal control now contained in the Manual cover disbursements and accounts payable, petty cash, procurement, payroll, pensioner payments, handling of cash, safekeeping of records, and reporting and financial disclosure.

Manager would seem to be the candidate to become Controller at FDA, when the term of the GEMAP Controller ends.

- The GEMAP Controller and the FDA Financial Manager attend meetings of the Board of Directors, to permit routine access to board members.
- The FDA procurement department reports separately to FDA management but, according to interviewees, the current GEMAP Controller has frequent interaction and good relations with the procurement staff. Procurement irregularities, when they have been noted at FDA – such as the following – have not been severe.
 - o In January 2007, the GEMAP controller reviewed, halted, and arranged for re-competition of an FDA procurement of buses, motorcycles and other vehicles – after determining that some inadvertent errors had been made in the bid evaluation had been done improperly.
 - o In the fourth quarter of 2007, two other procurement irregularities were discovered and investigated at FDA – resulting in the suspension of two persons and the debarment of three vendors. Both incidents were considered minor – involving fake invoices for \$135 in one case and fake invoices for \$500 in another.
- An internal auditor for FDA has been recruited and appointed effective January 2008. This is an important development toward strengthening future checks and balances at FDA. Objectives for the 3-person internal audit staff have not yet been established.

One important management task that FDA has accomplished with GEMAP assistance over the past two years was a 40 percent reduction in staff, completed in April of 2007. Total FDA employment had swollen during the NTGL period to 529 persons as of January 2006; FDA staff in March 2008 had been reduced to 299. The resident USAID/US Forest Service advisor at FDA assisted the agency-wide task of prioritizing functions and personnel to be retained, and USAID provided \$200,000 in the form of separation payments for personnel who were terminated. As part of that downsizing process, the GEMAP Controller assisted in revising job descriptions and reducing the finance department staff from 15 to 7.

Recommended Activities and Exit Strategy for GEMAP at FDA

The assessment team feels that GEMAP donors should continue to provide assistance to FDA over the next one to three years. However, the role of GEMAP Controller at FDA should be reconsidered and the terms of reference for the USAID GEMAP should be rewritten – to de-emphasize controls over FDA's own budget expenditures and to emphasize assurance of the integrity of the tenders for timber sales and the development of the FDA's effective surveillance over the logging companies and the CoC contractor .

Expenditure and accounting controls. Regarding co-signature controls over procurement, the assessment team feels that the small scale of the payroll and non-

payroll expenditures at FDA does not seem to justify having a USAID controller responsible for daily conduct of its modest expenditures. Also, as indicated in the preceding section, financial and internal controls have now been discussed and adopted at FDA in nine of the eleven areas for which formal internal controls are recommended, and the GEMAP Controller projects that the two remaining areas for financial control procedures can be completed and implemented during the second quarter of 2008.

Controls over high-value timber sales and the chain of custody. The main need for continued GEMAP involvement at FDA is to ensure the integrity of the concession, bidding, invoicing and revenue collection processes from the timber and forest management concessions. For the future, the role for the GEMAP is seen by the assessment team to be significant at the following stages:

1. Monitoring and certifying the tendering process (then co-signing) for the contracts to be awarded in the first rounds of 6 timber sale contracts (spring 2008) and 3 large forest management contracts (later in 2008). The GEMAP Controller and the current U.S. Forest Service advisor should help to document the procedures that have been followed by the evaluation panels and might be asked to prepare a report and recommendations for improvements in the conduct of future tenders.¹¹ One important element of this work should be to assure that due diligence precedes public announcement of bid results, and particularly that apparent competitive bids are indeed competitive and not among companies that are legally independent but backed by the same investor, as some preliminary evidence suggests was the case in the first round of bids. Another element of this transitional work should be to provide advice to the incoming resident U.S. Forest Service observer who would participate on panel reviews of the next rounds of timber concessions. These transitional tasks should be completed during April-September 2008.
2. From mid-2008 to mid-2009, the assessment team assumes that a GEMAP advisor or controller would be removed from any day-to-day participation in the timber- and forest-management tendering process but that, on a part-time basis, knowledgeable USAID GEMAP personnel might have responsibility for such tasks as training of FDA staff on the requirements of the law and on recently adopted FDA regulations for timber contracts. The resident USAID GEMAP team should also assist with scoping out and mobilizing short-term technical assistance that may be needed from legal and other experts -- such as the SEGURA consultant who did the recent CoC risk assessment.

¹¹ For example, what does the small number of bids—and the reliance of these bidders on a still-smaller number of financial backers— received for the initial timber sales contracts in 2008 suggest about the future size of timber-sale acreage blocs and about the advisability of restricting eligibility for some sales to Liberian firms only?

3. During the next three years, assisting FDA to establish effective controls over the performance of the CoC contractor to ensure proper and complete billings and collections.

The assessment team recommends that USAID continue to support these three activities, but that the co-signature and other resident responsibilities at FDA of the current USAID GEMAP Controller be phased out by September 2008.

III. Ministry of Lands, Mines, and Energy

Background. The Ministry of Lands, Mines and Energy (MLME) has an important role in the issuance and monitoring of concession agreements for minerals, land for investments, and other areas. It was a focus of the May 2005 Copenhagen review that engendered GEMAP, when UNMIL displayed aerial photos of NTGL-granted diamond exploration concessions that were in fact mining diamonds (then under UN Security Council embargo) under the protection of armed guards (in contravention of the UN prohibition on firearms).

The need for specialized procurement expertise to be deployed under GEMAP to strengthen the process for granting of concessions, contracts and licenses was heightened because the NTGL authorities had negotiated a large contract with an international steel company. This contract was to provide for reopening of a major iron-ore mining complex in Nimba County and related infrastructure that had been closed during the 1980s due to insecurity and low world prices.

Iron ore has been the most important mineral resource for Liberia historically, and exceptionally high world prices for iron ore over the past few years have triggered high interest in reopening old iron mines in Liberia and in developing high-grade deposits in contiguous areas of the neighboring territory of Guinea. Artisanal miners in Liberia also produce significant commercial quantities of alluvial gold and diamonds. Seismic surveys indicate a potential for oil and gas discovery. Several contracts for exploration and production-sharing for oil and gas were awarded during the NTGL period but no exploration has begun.

In January 2006, the newly elected Government appointed Eugene Shannon as Minister of Lands, Mines and Energy. The first resident GEMAP Mining Concessions Expert arrived in May 2006. The main MLME counterpart of the GEMAP advisors is the Assistant Minister for Minerals Exploration and Environmental Research.

Purposes and Design of GEMAP Assistance at the MLME. At conception of the GEMAP program, the EGSC partners envisioned that the Concession Expert GEMAP would assist MLME in

- Review in 2006 of the contracts and concessions that had been awarded (during the NTGL period) for exploration or mining for mineral and energy resources; and
- Developing future tenders and participating in the evaluation process for bids -- to ensure that new mining concessions would be competitively and transparently awarded. In the initial EGSC-approved Terms of Reference, it was also stated that the GEMAP advisor would “exercise binding co-signatory authority for approval of all new or amended contracts and concessions, except for [small] Class C Mining Licenses, that are within the MLME’s statutory mandate.”

The USAID GEMAP contractor was also given notable responsibility for assisting, in part through short-term advisors or subcontractors, with

- Development of “legislative proposals (and any necessary follow up guidance materials) to strengthen the existing mining law and the legal and regulatory framework for petroleum exploration and production;” and
- Computerization of the mining cadastre, its linkage to land registry and conservation area delineations, and its posting on the Internet – in order to clarify property rights and reduce conflicts over mining claims.

Review of Past Contracts and Concessions

As part of its GEMAP commitment, the GOL established a Contracts and Concessions Review Committee (CCRC), with the mandate to review all contract and concession agreements entered into by the NTGL. The objective of the review was to determine whether those contracts and concessions were undertaken openly, transparently, and according to international standards, so that the people of Liberia would obtain reasonable “value for money.”

The CCRC review covered 44 contracts or licenses that had been concluded in the mining sector, of which 37 were accepted as valid, 5 were cancelled, and 2 were recommended for renegotiation. The most important of the renegotiated agreements was that awarded to Mittal Steel (now ArcelorMittal) for reopening and development of the former iron-ore mining complex of LAMCO in Nimba County and for the rehabilitation of the rail and port facilities for export of the ore.

Mittal Steel mining concession. During 2006, the GEMAP concession expert participated in the review of the Mittal Steel mining concession in Nimba County – which along with the lease extension for the Firestone Rubber plantation, was an extremely high priority, in light of the scale of the associated economic and employment benefits. With additional assistance from a locally hired lawyer and a *pro bono* US legal team¹², the GOL was able to renegotiate an agreement with ArcelorMittal that instituted tax rates and auditing practices more in line with industry standards. The amended agreement also

- increased the government’s equity in the mine to 30 percent (in return for the mining license, use-rights to the rail and port, and assets from previous mining),
- eliminated a five-year tax holiday and required that the mining company make a \$15 million one-time payment to the GOL and contribute \$3 million annually for local community development, renovate a vocational training school, and establish an annual scholarship fund to strengthen the local Mining and Geology Institute.

The renegotiated agreement also provides for both independent and government audits, closes previous transfer-pricing loopholes, closes previous loopholes that could have

¹² Cravath, Swaine & Moore LLP, with assistance from Prof. Louis Wells of Harvard Business School.

made property rights, environmental and human rights provisions unenforceable,¹³ and introduces a consultative process with affected communities. The revised agreement also provides that the government keep possession of the port and railway that had been awarded to Mittal, to provide greater assurance that other economic activities can develop along the same growth corridor.

Although the GEMAP Agreement appeared to envision that the USAID Concession Expert at MLME would “exercise binding co-signatory authority for approval of all new or amended contracts and concessions,” that procedure was not followed in the case of the renegotiation of the Mittal Steel concession which was negotiated with direct leadership from the President’s office, beginning even before her inauguration and before the arrival of the GEMAP expert. However, the assessment team was advised that the Concession Expert during 2006 had been substantively involved in many important aspects of the GOL-Mittal negotiations and that his participation contributed to the transparency and successful conclusion of the renegotiated contract.

One of the expert’s important contributions was to initiate the process of developing a standard mineral development agreement that will replace the *ad hoc* negotiation of agreements that was customary in the past. This was an integral part of a consultative process engaged to develop consensus around a national minerals policy, a revised mining law and regulations to implement mining law.

Oil and gas exploration concessions. To assist with the review of 8 oil and gas exploration concessions that had been awarded by NOCAL (National Oil Company of Liberia), USAID provided an international petroleum lawyer as a short-term GEMAP consultant. The consultant also reported that serious legal conflicts had arisen in this sector: a recent petroleum law existed, but individual production-sharing concession agreements had then been written as stand-alone laws, in effect superseding the petroleum law. The new Public Procurement and Concessions Act (PPCA), which went into effect in January 2006 added to the confusion, as it supersedes the petroleum law but does not permit best-practice contracting modalities for mineral resources (described later in this chapter). Moreover, transparent bidding was hampered by the privately held rights to the two seismic surveys, one following perimeters parallel to the coast and another laid out perpendicular to the coast, that were not available to all potential bidders. The GEMAP petroleum expert recommended that the government purchase rights to the data and employ an independent seismic specialist so a rational plan of progressive concession auctions could be conducted. Bidding was conducted

¹³ It is worth noting that Mittal executives involved in the initial negotiation with the NTGL admit that some of the most egregious of the provisions, such as right of first refusal on all new iron ore discoveries contiguous to the existing concessions, and the right to harvest surface timber in claim areas without regard to the forestry laws, were intended by Mittal negotiators to be sacrificial negotiating pawns, to which the NTGL failed to respond. Transfer of ownership of Buchanan port as provided in the agreement would have contravened the Liberian constitution.

without this having been done. Records relating to the negotiation of the concessions were poor or nonexistent.

The GEMAP petroleum expert recommended that all of the existing oil and gas concession agreements should be considered invalid and annulled. However, the CCRC rejected these conclusions and recommended that three of the concessions be accepted and that the remaining five be renegotiated. NOCAL, which is nominally under the MLME but functions as an autonomous agency, then discontinued working with the USAID GEMAP advisors.

Development of Tenders and Awards for New Mining Concessions

Iron mining tenders. The new PPCA neglected to provide for the majority of mining contracts, which are for previously undocumented “green-field” areas and involve substantial investments in exploration on the part of interested companies. Throughout the world such green-field areas are allocated on a first-come, first-served basis for exploration. If exploration is successful, the claim holder has a priority for a production license. Only for documented deposits is it feasible to use competitive procurement – the method that is legally mandated by the PPCA for all large contracts and procurements. Pending the PPCA and mining law harmonization, the first iron ore concession tenders have been for reopening reserves that are known and can thus be competed. During 2007-08, the current GEMAP concession expert has contributed to and participated in Liberia’s first-ever iron ore concession tenders for two other major known deposits in other locations in Liberia. The USAID GEMAP contractor also funded the advertisements for tender placed in appropriate international mining journals.

As of March 2008, bids had been received and were being reviewed for the Western Cluster iron deposits (an estimated \$2 billion investment). However, a public GOL announcement of a provisional winner in January may have been inappropriate – since an adequate due-diligence assessment of the company had not yet been undertaken. To provide for the needed due-diligence assessment of the ‘finalists,’ the USAID GEMAP contractor is now in the process of selecting a subcontractor with relevant experience and ability to complete quickly such assessments. Meanwhile, tender documents for short-listed firms for the Bong Range Iron Ore Deposits (a possible \$1.5 billion investment) were released in January 2008. An addendum to tender documents for rehabilitation and development of the Bong Range Iron Ore Deposits was due for release in April 2008. GEMAP experts seek to have due diligence completed before the opening of bids on the Bong Range.

Iron-ore mining from the Mittal/Nimba, Western Cluster, and Bong Mines concessions are expected to be the mainstay of Liberian mining activity over the next decade. Current projections are that, taken together, they will employ about 10,000 workers and will have substantial secondary impact on livelihoods and employment in other sectors. At current world prices, royalties to the GOL on exports related just to the Mittal

minerals development agreement may generate \$5-6 million in annual revenue; the more unpredictable and volatile GOL receipts from dividend-sharing on that project and from corporate income tax are likely to be a comparable magnitude; while local development investments amounting to \$3 million annually are prescribed for the three axis counties. Total proceeds from the Western Cluster and Bong Mines concessions are projected to reach similar orders of magnitude, although their grade of iron ore is somewhat less than that of the Mittal concession.

Tendering during 2007-08 for the Western Cluster and Bong Mines concessions has followed international tender practices and procedures as prescribed in the PPCA – which provides that MLME is just one of seven official committee members and that the PPCC oversees the process. Although it is unusual to give so little weight to the ministry with technical expertise, this GOL standard tender practice gives an important confidence-building signal to scrupulous international investors, by reducing opportunities for arbitrary discretion, corruption, and opaque practices.

During May-December 2007, the PPCC and MLME conducted in a transparent and effective manner the international tender for the concession for the Western Cluster, including

- collection of Expressions of Interest from 14 firms; and
- short-listing during August of seven firms to be eligible to bid; leading to
- deliberations of the evaluation panel and their recommendation of a provisional winner (and two runners up) for award of the concession.

The USAID concession expert at MLME has participated in the tender deliberations for both the Western Cluster and the now-delayed Bong Mines concessions. The Bong Mines tender documents are being revised to ensure more thorough consideration of technical and financial competence of bidders during the short-listing process, rather than waiting for due diligence after ranking proposals as was done for the Western Cluster.

Other prospective mining activities. For green-field exploration activities – where the role of the GEMAP concession expert is to ensure that criteria for granting Class A and B mining licenses are transparent – many investors are moving ahead in Liberia, reflecting the atmosphere of confidence by mining companies that is developing. BHP Billiton is exploring for iron ore in four areas and expects to move into mine development in 2008. Mano River Resources expects to start production at the New Liberty Gold Mine at Bea Mountain in 2008, with an estimated investment of \$60 million. It is also exploring for diamonds and other minerals.

During calendar year 2007, total licensing and other fees billed by MLME and collected by the MOF reached \$7.0 million. Of that total, \$4.0 million represented a payment from ArcelorMittal related to its major concession, while \$2.0 million were accounted for by “exploration/surface rental” fees paid by 26 companies exploring specific areas for new

deposits of iron ore and other minerals. All other royalties, taxes, and fees relating to gold, diamonds, and other production from existing mines amounted to just \$1.0 million.

Mining law and the legal and regulatory framework. Although Liberia's Mining Law had been rewritten in 2000 and promulgated in 2005, no regulations had been written to apply it. The PPCA that went into effect in January 2006 controls all concessions and thus supersedes the Mining Law. The PPCA also called for public competitive tendering of all concessions, including mining exploration concessions, with the Public Procurement and Concessions Commission (PPCC) in charge of the process.

The GEMAP mining concessions expert pointed out in mid-2006 that the PPCA's public tendering requirement is in conflict with best international practice in mining as well as with the Liberian mining law of 2005. While concessions can and should be tendered for *known/documented* deposits (such as the two iron-ore concessions being offered in 2008), tendering for *green-field* areas normally follows a very different procedure better designed to stimulate exploration and investment. In the green-field cases, qualified companies and individuals interested in exploring a large area, about which little is known, normally request exploration/prospecting licenses on a first-come/first-served basis.

Two related projects undertaken by the GEMAP concession expert and the intermittent legal expert have been

- to develop a Minerals Policy (now in an advanced draft and planned for distribution in the spring of 2008) and
- to create a model Mineral Development Agreement (MDA) -- agreement to develop large-scale mines that are either exploration based or reserves and assets based -- that will apply to all mineral production agreements. A separate annex will specify non-negotiable standardized fiscal terms.

Unlike the situation at the Forestry Development Authority, there has not yet been a process to create a body of implementing regulations for the Mining Law. The terms of reference for the mining legal adviser employed by the GEMAP contractor call for him to draft such regulations in the future -- a task that is expected to take a year or more -- following the anticipated revisions to the Mining Law to harmonize it with a revised PPCA.

Computerization of the mining cadastre. An agreed goal of the USAID GEMAP assistance at MLME has been to assist the Ministry to develop a modern digital mining cadastre that will apply to all new mining licenses in Liberia. The USAID project at MLME has organized a two-stage process to help develop and implement such a cadastre:

- In 2006 a competition was organized to select a subcontractor to design the cadastre; the subcontractor has now presented in March 2008 a second revised design for approval by MLME.

- Based on that design, a tender will now be held to choose a subcontractor to implement the system. Based on similar cadastres implemented in Madagascar, Nigeria, and Tanzania, that implementation is expected to take about one year to get the system up and running, followed by some period of intermittent supervision to ensure that it operates as designed.

Assistance to the diamond-mining sector. The USAID GEMAP contractor has been assisting MLME with the development of its mine-to-market diamond tracking system (in compliance with the Kimberly Process) since September 2007 -- following the UN Security Council lifting its embargo on trade in Liberian diamonds in April 2007. A critical element in that system is a qualified independent 'diamond evaluator' -- to determine the value of the 3 percent royalty to be paid to the Ministry of Finance. Pending the MLME's recruitment of its own international diamond evaluator (and the training of qualified host-country national evaluators for the longer term), USAID has been providing an internationally recruited diamond evaluator. His task has been to help the MLME relaunch exports after five years of sanctions. This involved agreeing with the Kimberley Process Task Force on procedures for clearing stocks of diamonds accumulated during the sanctions. He has also been evaluating newly mined diamonds prior to shipment abroad and providing in-service training to the Liberian counterpart staff.

Although Liberian diamonds can now be freely traded worldwide, the scale of Liberia's diamond mining potential is unknown and may be quite limited. In particular, very few newly mined diamonds have been brought to MLME for pre-export evaluation -- projected to total \$7 million in value for the first year (September 2007-August 2008), much less than had been expected. Regional competition limits the royalty rate, currently 3 percent, than can be imposed on this easily-smuggled commodity. Thus, the government revenue from diamond exports does not yet appear sufficient to cover the cost of a qualified international diamond evaluator on a full-time resident basis.

While most Liberian diamonds are of alluvial origin and artisanally mined, seven kimberlite pipes have also been discovered by a class A licensed company in its Kpo Resources MDA in Gbarpolu County. Kimberlites are the host rocks for primary diamonds. The kimberlites have been tested to be diamondiferous. Bulk sampling is being conducted to determine their economic viability. If the bulk sampling program yields the threshold value of 10 carats per 100 tons, this would be the country's first extraction of diamonds from primary sources.

In its negotiations to subscribe to the voluntary Kimberly Process, a requirement under the GEMAP, the MLME has been obliged to position ten certification experts in the major diamond-producing areas. However, this aspect of the MLME's obligations may warrant a reassessment. In the opinion of the USAID GEMAP contractor, international best practice for alluvial mining regions does not require such local contact, and promoting such contact may pose security risks of assault and robbery for brokers

buying from artisanal producers when they seek certification in the field as well as for the certifying agents.

Recommended Future Activities for GEMAP at MLME

The assessment team feels that USAID should continue to provide GEMAP assistance to the MLME over the next two years. Among ongoing activities, the most important seem to be:

- continued participation by the GEMAP concession expert in the tender award process for the Bong Mines and Western Cluster concessions to assure its competitiveness and transparency;
- legal assistance (a) to revise and harmonize the Mining Law promulgated in 2005 with the Public Procurement and Concessions Act that went into effect in January 2006 and (b) to draft and obtain MLME approval of a set of implementing regulations relating to the revised mining law; and
- selection and mobilization of a subcontractor assisting to implement the computerized mining cadastre, to renovate the building where it will be housed, to install a WAN/LAN connecting 11 interior mines offices and four in Monrovia, and to provide local training for the mine registry staff at headquarters and in the field.

One prospective new GEMAP activity, recommended to the assessment team by MLME's Assistant Minister for Minerals Exploration and Environmental Research and by the Co-Chairman of the GEMAP Technical Team, would be

- developing the capacity of the MLME staff to monitor and manage the contracts of licensed exploration and mining companies.

The Assistant Minister pointed out that there are currently 26 Class A and Class B licensed companies and that 35 more are expected in the near future. One issue highlighted by the GEMAP concession expert is that mineral exploration licenses are limited to 5 years, within which time development of mining activity must commence. Some companies are now claiming that they should be given extensions because the civil war created a *force majeure* impediment to their operations. The MLME wants to ensure that the companies are serious about proceeding to mine and not just sitting on the claims hoping to flip them for a profit. The immediate proposal is that a GEMAP short-term consultant should come to review compliance by licensees.

In the field of artisanal mining for gold and diamonds, a further consideration is whether USAID, as the most active partner of the MLME, should initiate assistance to improve productivity and working conditions for small-scale miners. One aspect would be to consider whether some type of extension program for small-scale miners should be appropriate – analogous to the extension programs for farmers. USAID and State field

visits indicate that small-scale mining, principally for gold, has been a major job generator in Liberia.

One current activity at MLME that is not recommended by the assessment team for continued GEMAP assistance would be continued placement (as has been the case since September 2007) of a full-time independent diamond valuator at the MLME. That assistance is scheduled to end in May 2008, after which it is expected that the MLME would assume responsibility for funding that work. Because of the current small scale of new mining for diamonds in Liberia, it would seem reasonable for this task to be performed by a part-time, intermittent expert.

IV. Expenditure Management by Government Agencies

A. The Bureau of the Budget

Background. The government of Liberia uses a system like that in the United States where the Bureau of the Budget (BOB) is independent of the Ministry of Finance. Such a structure requires cooperation and collaboration in the formulation and execution of the budget. In contrast, the transition government emerging from the peace process inherited a dysfunctional fiscal system. Past governments had treated the national budget as a secret document and transfers were made by the Presidency to service dubious activities of public officials. In addition, since no commitment control system had been in place, ministries were able to incur liabilities for Government, irrespective of the allotment made or the cash available. The same pro forma budget had been used repeatedly since 1997, and then, each year, had been violated in practice.

In 2003 a first step in reform was made under the NTGL with technical assistance from the U.S. Treasury (BOB), the World Bank (MOF) and the IMF (CBL): the establishment of a cash-based balanced budget with the budget execution through a Cash Management Committee (CMCo) comprised of officials designated by the BOB and the Ministries of Finance, Planning and Economic Affairs, and State that would approve any payments before they are made. The Ministry of Finance operated in constant crisis mode with the CMCo under constant and enormous pressure to clear payments choking the system. Poor documentation, thirty stages of voucher review before payments are made, lack of ageing information and opaqueness regarding prioritization all exacerbated the problem.

However, the CMCo represented only one choke point in a broader system under complete collapse. The budget process lacked a medium term framework. The budget itself was not tied to programs or development results, there were no reliable estimates of revenues, ministries were not informed of their budgetary ceilings in order for them to negotiate, and later to implement, their approved allotment, and the budget circular and its formats were unclear resulting in line ministries sending inflated proposals. Budget execution was similarly flawed: after the annual budget was approved, ministries were rarely notified of their allotments. With allotments being changed multiple times at the discretion of the Bureau of the Budget, one result was that Ministries did not know at any point in time their allotment. This fostered a system where fiscal allotments were released according to open payment of bribes rather than to the priorities established by financial programming. Countervailing authority did not exist, there was no reporting system and communications were weak with the revenue management authorities in the Ministry of Finance and Central Bank of Liberia.

GEMAP introduced international advisors with co-signatory authority into the three major links in the chain of GOL budget allocation and disbursement – the BOB, the

MOF, and the CBL (financed by the US, the World Bank and the IMF, respectively). Further, both the Governance Reform Commission under the NTGL and the incoming Sirleaf administration proposed to merge the BOB into the MOF (though in 2008, the legislation to merge the BOB into the MOF still has not been approved by the legislature, leaving BOB staff in a state of uncertainty as to its future). Even without this reorganization, coordination has been improved greatly. The government reactivated the National Budget Committee comprised of seven key ministries and agencies – namely, the Ministry of Finance, Ministry of Plan and Economic Affairs, Bureau of the Budget, Ministry of State, Bureau of General Auditing, General Services Agency and the Civil Service Agency – to harmonize budget policy formulation and expenditure. This committee had been dormant over the years, a practice which had left budget formulation exclusively in the hands of the presidency and the bureau. Although the first Sirleaf Administration budget, for FY 2006/07,¹⁴ was a sparse document and was submitted late to the legislature (so that the Government accrued arrears for the first weeks of the new fiscal year, contravening its agreement with the IMF), subsequent budgets have improved as planning tools and clear statements of priorities. Also, while the first budget was printed in only 700 copies (paid for by the US Government), the document is now distributed widely throughout the country.

The first GEMAP specialist to assist the BOB had been a budget advisor provided by the US Treasury to the NTGL. Upon her departure, USAID provided, beginning in April 2006, an internationally recruited budget specialist with the binding co-signature authority, as envisioned by the EGSC partners, to improve financial management practices at the Bureau of the Budget for budget planning and expenditures. There has been one long-term advisor under the USAID GEMAP assistance¹⁵, aided by short-term replacements who assured continuity of coverage, and several short-term experts.

Major activities. The scope of work for the BOB advisor specifies a broad range of activities and responsibilities:

- clear allotments and transfers, prior to the release to ministries and other allocation recipients for operations, investment, and procurement;
- provide compulsory co-signature on the relevant documentation for all financial allocations, allotments, or transfers undertaken on behalf of the BOB; with the BOB Director, develop an allocation process with criteria for prioritisation;
- with the Director, develop a timely reporting system on budget implementation transmitted at least weekly to the Presidency, the MOF, the CMCo, the CBL and the allocation recipients;
- ensure that all allotments, commitments, transfers and obligations made on behalf of the BOB will be managed to prevent insufficiency and to account appropriately for arrears;
- help the BOB to coordinate allotments with the CMCo's projection of cash collection in order to prevent accumulation of arrears at the MOF; and

¹⁴ Liberia's fiscal year is July 1-June 30.

¹⁵ An initial resident advisor had to be replaced in the first few weeks of the project for medical reasons.

- ensure that transfers conform to the budget act, restricted them to approved movement of funds between programs and object codes and assuring that appropriations are not created that have not been approved by the legislature.

Further, in the medium term, the budget specialist was tasked (a) to work with BOB sector specialists and with selected clients to introduce program-based budgeting and to link proposed budgets to development results, (b) to train and/or recruit personnel to improve the BOB's ability to analyze budget submissions, and (c) provide assistance in related areas, such as improving the legislature's capacity to project budget impacts of proposed legislation, developing of legislative proposals related to the annual budget calendar, the authorities of respective actors in the budget process, and the reprogramming authorities and processes, including the role of the legislature in these and other budget matters.

Implementation of budget reform. The GEMAP expert was required simultaneously to improve budget execution for the FY 2006/7 and train in budget preparation for FY 2007/8. She prepared written procedures and forms for budget allotments, replacing a freeform process that did not encourage rationality in budget execution. These were accompanied by training of budget analysts, held in October 2006, followed sequentially by workshops on the budget cycle, budget preparation, and the roles of budget analysts, and then by workshops for the individual agencies and ministries (up to and including the level of ministers). The immediate result was increased transparency, a reduction in transfers and an introduction of fiscal discipline accompanied—together with reforms in the Ministry of Finance—with a shortened delay in the release of allotments. By the first quarter of FY 2007/8, the Budget Committee was able to program allotments by quarter, with allotment requests being processed in the month prior to the planned disbursement.

During that first budget cycle it became clear that government ministries and agencies were not operating on a common chart of accounts. So work was begun to compile uniform definitions for all expenditure categories across ministries, as a first step to unifying the systems in MOF and BOB as well as to decrease the scope for mis-coding of allotment applications (by accident or design). These were published as a "Glossary of Objects of Expenditure Codes" for use by all ministries and agencies.

By September 2007 the BOB was able to analyze and categorize requests for budget transfers, which under the NTGL had been routine, to treat them as breaches of good budgeting to be referred to the Budget Committee for a hearing.

Research by the BOB found that some ministries were not operating on a common chart of accounts; in collaboration with the MOF the BOB developed one together with a manual explaining which items belong in which area.

Budget preparation has improved with each budget cycle. For the FY 2007/8 budget and again in the preparation of the FY 2008/9 budget, specific forms and instructions

have permitted linking requests for scarce resources to strategic decisions, rather than the pro forma budgets inherited from the NTGL and previous regimes. The budget hearings, conducted by the interministerial Budget Committee and requiring agency heads to describe accomplishments and anticipate upcoming challenges, have been structured, public and inclusive. Beginning in March 2007 the hearings have been taken to the Counties for public involvement in the budget process.

The budget's contribution to improving governance in Liberia is deepening and broadening. Each year the submission to the legislature has been moved forward, to provide additional time for debate, and the budget document has been made more analytical, including charts, graphs and illustrations to provide an overview of sources of income and expenditure to the public and members of the legislature, and to relate these to previous years' flows. Expenditures are linked to narratives concerning the programs funded, with functional breakdowns provided for each. For each program, information is provided on appropriations for the current FY, any supplements for this FY, and the request for the coming FY.

Beginning with the FY2007/8 budget, budget development preparation became better structured with reasonable timelines, pragmatically workable processes and increased participation. Budget submissions included consultation with the Ministry of Planning and Economic Affairs on policy strategy, including harmonization with the Poverty Reduction Strategy (iPRS and, beginning in 2008, the PRS), with the Civil Service Agency on staffing and civil service issues, the General Services Administration on vehicle and generator issues and the MOF concerning payroll and revenue estimate verification. The Auditor General has already reviewed the new approach and declared it to be of superior quality and provides the basis for sounder auditing.

Controls. The GEMAP expert co-signs all allotment requests, amounting to around 1,000 per month. During temporary absences in 2006 when co-signature authority has been delegated to the Liberian counterpart there were instances of abuses, probably opportunistic, of the process. Further—and outside the control of the GEMAP process—the entire BOB-CMCo-MOF-CBL control system failed at the end of FY 2006/7, since lack of familiarization with procurement procedures under the PPCA had delayed the disbursement of many allocations. As the budget legislation did not permit carryovers from one year to the next, many procurements were hurriedly authorized by the BOB and then the CMCo without proper procedures being followed. This system collapse highlighted the need for better monthly spending plans upon which to base allotments, with regular monitoring of the budget along with review and revision of the plans.

Capacity building. The GEMAP advisor has built capacity in several ways. Besides training sessions and workshops, the co-signatory process itself has been used as an opportunity for tutoring budget analysts who committed errors in coding. As the project report for December 2007 states, "This [daily review of all allotment and transfer requests] is a unique opportunity for one-on-one remedial assistance to technical staff. At the beginning of the LIBAMM project, the co-signatory requirements were largely

geared to prevent abuse; now they are a measure of institutional development and provide an effective corrective action forum for those who need to perfect their work.”

Further, trained BOB staff members have themselves then been used as trainers, thus strengthening, deepening and institutionalizing the knowledge base. Finally (and independently of the GEMAP training), within the line ministries, certain of the fiscal agents have become known for their understanding of budget coding, in procurement or in other functions and were increasingly sought after by other staff for assistance, developing “centers of excellence” throughout the government. This was reinforced by the new understanding throughout the government, enforced by GEMAP and the administration, that spending allotments would be made only according to the budget and not through side payments or “understandings” reached with individual budget analysts.

Overview of Accomplishments at the Bureau of the Budget

GEMAP assistance to control the Government expenditure stream, of which the BOB experts form an important link, is succeeding. Supporting a reform-minded government, the systems described here that are being installed in the BOB appear to be self-sustaining and restore a transparent regime of establishing and implementing the Government budget. While fraud and extra-budgetary expenditure have not been eliminated, the environment in which corruption can occur has been largely cleaned up through the GEMAP assistance to reforming leaders. The combination of the reduced discretion of BOB officials to allocate or to transfer, and a sense of staff professionalism introduced, would likely withstand the appointment of new individual leaders seeking to subvert the system. However, the evidence when the GEMAP expert is temporarily absent (and more generally the evidence at the close of FY 2006/7 when controls were eased in order to clear the backlog before the end of the fiscal year) demonstrate that Liberian systems are not yet fully capable of assuming the control function now assured by the internationally recruited financial expert.

The LIBAMM annual report 2006-2007 appears to accurately cover the accomplishments of the specific assistance offered to the Bureau of the Budget:

- Budget being prepared by all Ministries and funded institutions
- Annual budget submitted to the Legislature on time, an historic first
- New regulations eliminate discretion and require notification to the Legislature (in FY 2007/8 only 4 inter-agency transfers were executed, compared to hundreds before)
- Program-based budget system designed and replaced expenditure-based, discretionary budgeting, and institutions trained to begin using performance-based budgeting
- In budget preparation hearings, agencies must justify requests on the basis of services to be delivered to the Liberian people.
- Disparate payroll have been lists reconciled, reducing ghost workforce
- Accurate budget implementation reports are issued monthly
- Allocation processing time has been reduced from two weeks to one day.
- Transfers from one budget line to another, previously numerous, are now minimized

- Budget execution is in line with appropriations.

Recommended Activities for GEMAP in the Bureau of the Budget

GEMAP activities going forward:

- With the new budget codes, budget monitoring will begin in late 2008. Until now, the MOF's published "budget execution" tables are not outcomes, but revised estimates; with the new codes the Government can determine outcomes to improve monitoring and to prepare for future budgets.
- With the 2008/9 budget cycle, experience must be deepened, further computerized and expanded to local government (the counties) in preparation for continued decentralization. (Only key ministries fully complied with the 2007/8 cycle).
- BOB and line ministries have information technology problems (computer viruses, corrupted budget spreadsheet programs, and others) that impede progress on the computerization of the process and permit timelier linking of MOF budget execution data with BOB budgets.

GEMAP problems going forward:

- While the scope for bribery (to obtain allotments for one's ministry or agency) has been eliminated and the scope for staff discretion and its abuse (though mis-coding of allotment or transfer requests) has been greatly reduced, external controls are still required. The absence of the co-signer continues to be associated with allotments that are not justifiable being passed to the CMCo secretariat.
- Uncertainty remains about the proposed merger of the BOB into the MOF. Rumors of downsizing of the BOB affect morale. As this merger remains a presidential priority, mentioned in her State of the Nation Speech in early 2008, it is likely to occur when the legislature finally gives its agreement. At that time further GEMAP assistance may be required to prepare for and assist the merger and required associated training.
- Some agencies still lack accounting tools as basic as double-entry bookkeeping, an object for further deepening of the budget process.
- GEMAP assistance has focused on the expenditure side of the Government's ledger. The Deputy Minister for Revenue seeks assistance in improving revenue collection and making it more transparent, more acceptable to the people of Liberia. Aside from IMF short-term consultancies, this has not yet been addressed by Liberia's partners.

Exit Strategy. At BOB the institutionalization of clear budget execution system has wholly terminated the payment of "favors" previously used to facilitate the unblocking of specific budget allocations, demonstrating that such reforms are both possible and feasible in what was only recently a thoroughly corrupt process. However, phaseout of

GEMAP assistance to the BOB is closely intertwined with activities in the MOF and the continued development of the functioning of the CMCo.

If the BOB is merged into the MOF, another year at least will be required to integrate the two activities beyond the steps already undertaken. Whether or not the two merge, the survival of opportunistic attempts to mis-code expenditures or process unjustified transfers suggests that in spite of the advances made in capacity within the BOB, the BOB position can be phased out only when the countervailing power within the CMCo has demonstrated its robustness.

B. The General Services Agency

Background. During 2005, Liberia had received donor assistance for reform of GOL procurement practices and had enacted a new Public Procurement and Concessions Act, drafted by a World Bank advisor. Since the new law envisioned a high degree of delegation of procurement responsibilities to line ministries and agencies and a much-reduced role for government-wide procurement through its General Services Agency (GSA), GEMAP partners requested USAID to conduct during 2006 a short-term management study to determine personnel and restructuring needs of the GSA.

In many areas, it was known that some of GSA's functions would be radically curtailed and that, insofar as central GOL control over procurement actions was required, the new Public Procurement and Concessions Commission (PPCC) might replace many of the coordination and control functions of GSA. However, the challenges of implementing the new, decentralized approach to procurement were great. There were now 70-some newly authorized procurement entities in the GOL that had no experience in procurement, inventory, maintenance or other aspects of asset management. Thus, despite broad-scale training efforts at the MOF and various line agencies that the World Bank had begun to assist, the USAID management study concerning GSA in mid-2006 found that the implementation of the new law had been confusing and that the efforts toward decentralization were leading to many problems that PPCC could not readily control.

Based upon recommendations of the short-term management study,¹⁶ USAID agreed to provide under the USAID GEMAP assistance program a long-term technical advisor for the Director General and appropriate short-term technical assistance in the following areas.

- Organizational restructuring - implementing the changes in the structure required to make the GSA operations more efficient. This includes recommending staff that might need to be retired, retrained for other jobs within the new GSA, or retrenched.
- Change management – to develop a change management plan, which has a human face.
- Staff training and capacity building – training to enable the staff of GSA to become fully competent in the area of service they deliver.
- Processes and procedures – to develop and implement operating standards, processes and procedures. These would include customer service standards and guidelines.

¹⁶ *General Services Agency Mandate and Technical Assistance Needs Assessment*, July 2006.

- Information management systems – an assets management system and other management information systems

Development and Enforcement of Government-wide Standards

USAID and other GEMAP partners had a clear understanding about what the generic purposes of GEMAP's assistance should be at GSA – namely, to reduce problems of waste, fraud and abuse in procurement and operations of GOL ministries and agencies. But how could GSA best contribute to these goals in a setting where most procurement responsibilities were now decentralized to individual agencies?

Diagnostic assessments by the lead GEMAP advisor at GSA during 2006 revealed that the newly decentralized procurement system had resulted in ministries and agencies making retail purchases and tendering without good technical guidance, each agency buying different goods and services from different sources. Few kept inventory or maintenance records. GSA attempted to collect inventory records from ministries, and when employees were seen driving new, unreported vehicles, the ministries denied having acquired them. When questioned they would reply that the vehicle had been donated. Central inventory classification and tracking comparative performance and operating costs became impossible.

Ministries acquired vehicles for which no spare parts were available. Fuel for generators and vehicles was distributed through coupons for use in gas stations and coupons had become de facto both an untaxed salary supplement and a secondary currency around town. Computers, software and web-site hosting were purchased without coordinated guidance and sometimes proved incompatible and/or impossible to maintain and upgrade locally. There was pressure to approve purchases of used vehicles, a practice that had resulted in widespread fraud in the past.

During 2007-08, the most important strategic contribution of the USAID assistance at GSA has been in establishing standards and procedures for government-wide procurement and operations that -- when adhered to by all 70+ government operating entities -- can lead to reduced corruption and substantial efficiencies across all GOL services to the public. Beginning in 2007, the USAID GEMAP advisor has helped GSA management to identify and to develop plans for controlling widespread abuse in three areas:

1. vehicle procurement, use, and maintenance;
2. generator procurement and maintenance; and
3. procurement and monitoring of fuel use.

Vehicles and generators. Two short-term experts were mobilized to prepare assessments of current practice. They inventoried government-owned vehicles/generators, projected fuel consumption, maintenance and spare parts needs.

They also developed and distributed throughout the government maintenance schedules and activity logs.

Two important recommendations of the GEMAP advisors regarding the government-wide vehicle fleet have now been adopted for implementation by the GOL:

- In December 2007, GSA presented to the President and her Cabinet a new *Policy for the Procurement of Used Vehicles by the GOL*. This policy was approved and adopted by the Cabinet in March 2008.
- Effective in mid-2008, all GOL-owned vehicles will be required to be branded – displaying prominent decals on the doors that will enable the public to identify, and enable responsible agencies to curb, the use of official vehicles for non-official purposes.

The used-vehicle procurement policy sets standards for vehicle history check, authentication of serial numbers and ownership, and market valuation that are expected to reduce dramatically both the practice of purchasing ‘non-standard,’ expensive-to-maintain vehicles and the latitude and incidence of fraud in cases where used vehicles may be purchased.

To publicize and educate ministries on GSA’s vehicle standardization program and on new standards and log books for monitoring and maintenance of generators, the USAID project has since conducted workshops for representatives from over 50 ministries and agencies on

- Standardization policy for automobiles and generators;
- Used vehicle policy;
- Operations of generators and automobiles; and
- Preparation of generator log books.

Fuel use. The GEMAP-assisted surveys in 2007 of the GOL-wide vehicle fleet and of the GOL-wide generators provided a basis to construct estimates of mileage driven and fuel required for all *operational* GOL vehicles and for fuel required for *operational* generators on an annual basis. From these data and estimates, it appears that the government has been purchasing or providing, primarily through fuel coupons, amounts of fuel that exceed by more than 50 percent the amount fuel that is actually needed to run the GOL vehicle fleet. At prices prevailing in March 2008, the GEMAP advisor estimated that fuel required for current consumption by government vehicles and generators would be \$4.5 million per year. In comparison, based on historical and planned allotments the government had planned for FY 2008/09 to issue coupons through the Ministry of Finance worth a total of \$10.5 million.

In part, these excess allowances have evolved with the knowledge that the fuel coupons are to some extent an employee benefit, particularly for senior officials – extended in lieu of a higher cash salary. However, the size and distribution of these benefits is not readily monitored, especially given the lack of log books and records that would identify

the amounts of fuel actually used for official vehicles and generators or for official purposes.

- To establish a link between vehicle use and fuel requirements, the GEMAP advisor and GSA management in early 2008 prepared for the President and the Cabinet a plan for establishing two GSA fueling stations. Under this plan, fuel for all GOL vehicles in the Monrovia areas would be supplied and corresponding vehicle IDs, drivers, and odometer mileages would be recorded by station personnel and the information would be tracked electronically – so that any evidence of reselling of fuel obtained for a particular vehicle could be quickly identified and sanctioned. Advantages of that proposed approach were considered to be greater assurance of fuel availability to provide diesel and gasoline for GOL generators and vehicles (avoiding supply shortages experienced in the private sector) and savings estimated at 20 percent from purchasing fuel in bulk, rather than at the prevailing retail pump prices.

This particular plan for curbing waste and abusive, non-transparent ‘benefits’ for employees was presented informally to the Cabinet in April 2008, but does not seem likely to go forward quickly for two reasons –

- Many are reasonably questioning the necessity for establishing state-owned and –operated fuel service stations, rather than creating a system relying on provision of fuel through private retailers;
- Many top government officials are reluctant to proceed with the elimination of fuel coupons as “employee benefits” until a plan has been developed to offset the loss of valuable benefits for GOL senior managers in lieu of fuel coupons.

Thus, the GEMAP advisors at GSA need to consider developing a modified, comprehensive GOL-wide plan for effectively monitoring and curbing the current system of non-transparent and wasteful fuel subsidies.

Other Activities and Accomplishments at GSA

Organizational restructuring and change management. To assist GSA with its process reengineering, the long-term advisor helped to map 61 key business processes -- identifying weaknesses, inefficiencies, and bottlenecks. This served as a basis for a 241-page *GSA Business Plan for 2007-09* (April 2007) and 37 illustrated plates that is now helping to guide reorganization of personnel into functional units. The Business Plan provides a strategy, specifications, budget estimates, and justifications that have attracted attention throughout government as a model for other agencies and ministries to follow.

The core service areas for GSA are now considered to be

- Vehicle fleet maintenance

- Repairs and maintenance of government buildings and property, including lease management
- Management of government real and landed properties
- Asset and maintenance database management
- Bulk procurement and development of specifications/standards for selected commodities
- Resource support for the Office of the President

Since 2006, GSA payroll was reduced from 590 to 375, initially by the simple expedient of keeping daily attendance records and deleting no-shows from the payroll. The elimination of ghost workers that began at GSA was extended to the broader payroll reconciliation process that was centralized in the Bureau of the Budget.

Processes and procedures. As intended in the PPC law, GSA's principal operational role is now in the areas of maintenance and repair of government buildings (housing, offices, and other real property), vehicles, generators, and other fixed assets. Progress regarding improved handling of vehicles and generators is highlighted in the foregoing section on Development and Enforcement of Government-wide Standards. For vehicles, an important remaining task for GSA is to help improve the efficiency and value for money for vehicle fleet maintenance.

Vehicle maintenance is currently being outsourced to the private sector with no competitive arrangements. GEMAP advisors and GSA believe that, for standardized vehicles, GSA could more cost-effectively conduct certain routine vehicle maintenance procedures in-house. Currently its garage is equipped only for the simplest maintenance (tire repair and oil changes). Funding for garage equipment is expected soon, however, and a training/retraining program for GSA mechanics is being developed in cooperation with selected private sector garages in Monrovia.

In addition to the foregoing areas, the President's Office has also requested that GSA set standards or arrange for bulk procurement in the areas of

- Fuel for vehicles;
- Information technology; and
- Office equipment.

Information management systems. Under this heading, one important task for the GEMAP activity at GSA is to help to procure and implement *MaintStar* computerized fixed asset management system. The software has been procured and relevant staff are now being trained in its uses at the bureaus of warehousing, mobile equipment and vehicles, real estate, public building maintenance, and MIS. *MainStar* will provide the basis for proper monitoring and maintenance by GSA and agencies' staff in each of these areas.

A website for GSA is the second important information system that is now under development with assistance from the GEMAP team. Through funding provided by the USAID, a website developer is being competitively selected and the website is expected to become operational by mid-2008. The objective of the proposed website is to provide a platform for the GSA to publish the GSA catalogue of commonly purchased items such as vehicles, generators and office equipment (a GSA deliverable under *Pillar IV* of Liberia's *National Poverty Reduction Program*).

Staff training and capacity building. In addition to the training programs noted above for better-skilled vehicle mechanics and for computer skills needed to use the *MaintStar* fixed asset management system, the GEMAP advisor helped GSA to establish a partnership program with the State of Maryland Department of General Services that, beginning in 2008, is expected to lead to an ongoing technical exchange and capacity-building program

A particularly noteworthy training program initiated by the GEMAP advisor at GSA in late 2007 has been to provide both classroom and practical training in accounting and internal audit. Since improved skills in accounting and internal audit are also needed at many other agencies, this training program included not only 10 accountants and auditors from the GSA, but also 7 from the Bureau of Budget, 13 from the Ministry of Lands, Mines and Energy, and 3 accountants or auditors from the Ministry of Finance.

The initial auditor-training course these 33 staff members ended in March 2008, provided 12 weeks of formal academic training (7.5 hours per week), led by three professional auditors from the International Auditing firm of Panel, Kerr and Foster. The top five trainees based on test performance, are now enrolled a second phase of auditor training will include on-the-job "best practice" internal audit training in the Internal Control Department of the Firestone Tire and Rubber Company.

Recommended Activities Related to GSA and Exit Strategy

The GEMAP advisor at GSA seems to have had a highly catalytic and important impact in several areas during 2007-08, including some areas where plans or implementation of reforms – implementation of the *Maintstar* system for inventory management and maintenance, including the web portal; reform of the fuel coupon system; enforcement of the log-book systems for vehicles and generators -- have not yet been completed. Those tasks need to be followed through to completion.

In other areas, further capacity building at GSA to enable it to perform its core functions will be important. However, as in the case of the Forestry Development Authority, USAID must consider that GSA has a modest number of employees and budget and that GSA similarly seems to have recruited several senior managers who are knowledgeable enough to lead the further reform and development of GSA's operation - without need for assistance of a full-time expatriate advisor.

The GEMAP advisor now based at GSA, has demonstrated his ability to identify and to formulate remedies for major GEMAP-related policy problems – beyond GSA’s direct purview -- and he has established strong trust by senior GOL leadership in his abilities

- To undertake institutional diagnostics, such as was required to develop the Business Plan for organizational restructuring of GSA; this is a model that could be applied at other GOL ministries, such as the Ministry of Public Works;
- To “scale up” training across several ministries or agencies in an area such as accounting, audit, and internal audit that are fundamental to GEMAP’s goal for improving financial integrity throughout the Government of Liberia;
- To develop information technology system approaches – such as he has recommended for tracking and monitoring vehicle fuel consumption at refueling stations, rather than relying upon driver-dependent log books.

Regarding the need for GEMAP training among relevant GOL staff in accounting, audit and financial management tools, the assessment team strongly commends the proposal of the GEMAP expert at GSA to replicate or adapt the PKF audit course for employees at state-owned enterprises and additional ministries and agencies.

In the informational technology area, the assessment team notes that a suggestion has been made by the USAID contractor to field a long-term core advisor - to oversee the standardization of IT/MIS solutions (including GOL websites) throughout the GOL. While there is clearly a need throughout the GOL agencies for better IT management and systems – which at most agencies seem to be plagued constantly by computer viruses – the assessment team recommends that USAID should conduct its own diagnostic review, utilizing ICT staff or consultants deployed from USAID/Washington, before deciding to undertake a major initiative toward standardization of IT/MIS solutions.

V. Ministry of Finance – Revenue

One task assigned to the USAID GEMAP contractor was to assist the Ministry of Finance with a significant expansion of the “Bank Payment Slip (BPS) Flag Receipt System”, designed to combat fraud and underpayment of taxes and fees. The BPS Flag Receipt System is not mentioned in the GEMAP document. However, this USG-funded activity provides the glue that contributes importantly to “securing Liberia’s revenue base”, one of GEMAP’s six elements, by promoting the efficient receipt of government revenues and the integrity of that system. The system addresses successfully an important source of corruption in the revenue process, and its deepening and extension to other sources of GOL revenue is crucial to government and partner efforts to improve that process.

Insofar as one objective of GEMAP was to improve control over Liberia’s revenue base, the Ministry of Finance plays a particularly important role. For example, in FY2006/07 total revenue collection of the MOF amounted to \$139 million – approximately four times the combined gross revenue of the four SOEs where resident GEMAP Controllers have been posted since 2006. During the first two years of GEMAP, donor technical assistance for MOF revenue departments has been rather light, with a particular focus on improvement of MOF procedures and integrity in the taxation of international trade. The IMF has assisted the Revenue Department in changing its orientation and organizational structure from one based on kind of tax to organization based on taxpayer size. Meanwhile, the MOF has focused its efforts heavily on enforcement of payments obligations for import taxes. To date, the MOF has clearly been successful – with total revenue from international trade taxes rising by 67% from FY2005/06 to FY2006/07.

To date, GEMAP donors have provided little assistance to the MOF for improvements to processes and tax administration procedures for *domestic* taxes. Thus, as the intermittent IMF advisor on tax administration noted in her spring 2007 visit to Monrovia:

The tax system in Liberia remains essentially a “voluntary” system for self-identifying taxpayers – significant numbers of taxpayers choose to remain outside the system and those in the system often under-report their sales and earnings.¹⁷

Moreover, in the area of “direct taxes” -- that is, taxes on incomes and profits -- administrative procedures that would improve enforcement are more complex than those needed for enforcement of international trade taxes, the potential for corruption (rent-seeking by rogue tax administration officials) is substantial, and clumsy enforcement can pose a serious threat to the quality of the “business enabling environment” facing private investors.

¹⁷ Gloria Reid, “Reform of the Liberian Domestic Tax Administration,” March 2007.

Ministry of Finance Revenue Flows and GEMAP Assistance

Category of Tax Revenue	Tax Revenue, FY2006/07 (US\$ millions)	Assigned Role for GEMAP Donor Assistance (2005)	Assistance Planned or Provided
International trade	\$ 69.23	EU for BCE USG for BPS/Flag	Resident & Outsourcing Intermittent
Domestic goods & services	14.34	IMF	Intermittent
Income and profits	42.54	IMF AfDB, WB	Intermittent Equipment, IT
Property taxes	0.91	None	None
Maritime revenue	11.83	EU for BMA	TBD
Total Revenue	\$ 138.86		

Thus, one of the issues to be considered as part of a comprehensive reassessment of the GEMAP support activities of both USAID and other GEMAP donors is:

Are we giving sufficient attention to the MOF's need for technical assistance and training in the design, streamlined collection, and enforcement of domestic revenues?

Background to the BPS/Flag Receipt System. The incoming Liberian administration inherited an unwieldy and complex manual system for assuring customs payments. Under the system, customs declarations and clearance of imports from the port required a series of steps in various locations to complete the Single Administrative Document:¹⁸

- Seven documents are required (IFC lists 9; this is not extraordinary, as other ports in the region require 7-9 documents): (1) original commercial invoice or air waybill, (2) original bill of lading, (3) certificate of origin, (4) sales confirmation, (5) Import Permit

¹⁸ This section is based on Liberian Customs Presentation, Workshop on Compilation of International Merchandise Trade Statistics, Abuja, Nigeria, August 30-September 2, 2005. Statistics Division, United Nations Department of Economic and Social Affairs.

Declaration (IPD), (6) packing list, and (7) "Clear Report of Finding" by BIVAC, the pre-shipment inspection agent. The first step is to prepare a Customs Entry, to which these commercial documents are attached. The importer (or customs broker) sends this to the In-gate Officer, who gives the document an entry number; the entry goes to Chief Ministerial for distribution.

- Stage 1: Bureau of Customs and Excise (BCE):
 - o If the entry requires examination, it is next sent to the Senior Collector for stamping, and onwards to the Examination Section where Customs compares the declaration based on the commercial documents to the contents of the shipment, confirming category of goods and the packing list, comparing invoice to physical quantity, sampling goods as required, to prepare a Comprehensive Examination Report. The entry is returned to the In-gate office after examination.
 - o The documents next go to the Import Specialists, who review the documents, appraise (comparing to statistical standard values), assess and value payment by External Tariff; they are then forwarded to the Liquidation Section for liquidation and then to the Collector for signature, to the Commissioner for approval, and to the Bank Payment Slip (BPS) Section for Billing.
- Stage 2: Payments:
 - o The importer/broker would now take this bill (entry) across the city, first to the Ministry of Finance to declare and prepare the tax bill, next to his commercial bank to buy a manager's check for that amount, then to the Central Bank of Liberia (CBL), to deposit the total duty assessed and to receive a Revenue Flag receipt stamped by the CBL Payment Slip Section., then to return to the Ministry of Finance to show proof of tax payment.
 - o The importer returns the entry with attached documents to the Collector at the Port who receives and authorizes entry for sealing. The Sealing Officer seals the entry and attaches all commercial documents for distribution.
- Stage 3: Port fees and clearance. The importer attaches the relevant documents to entry and takes the document to the NPA Billing Section where port handling charges are paid and manifest obtained, and then to the wharfinger's office where all import documents are reviewed against the shipping manifest and, if found correct, recorded in the ledger then send (together with a gate pass) to the Chief Examiner, who assigns an Examiner to escort the container(s) or goods to the gate, along with Security.
- Stage 4: Financial reconciliation. At the close of each day, the cashiers check the cash received against all processed entries. At the end of the month, the revenues are deposited at the Central Bank and a report submitted to the Bureau of Customs and Excise.

Problems and incentives for collusion between importers/agents and employees of BCE and the NPA -- bribery, falsification of information and other corruption --can and did occur at each of these stages. NPA problems were one of the major considerations in the discussions in Copenhagen in 2005 that led to the creation of GEMAP. There were no cross-checks provided on the manual procedures; in the BPS step where actual cash transfers occur it was found that:

- In Stage 1, waivers, adjustments and other alternations were frequently made to the documents.
- In Stage 2, amounts were altered on documents submitted to the CBL, on the flag payments returned by the CBL to the Ministry of Finance, or on their registry with Customs on return to the port.
- In Stage 3, counterfeit or otherwise falsified documents may be used for exit from the Port (this is described in Annex I).
- Clients were seriously inconvenienced by the need to visit the port, the Ministry of Finance and the CBL to clear port documents, and with delays and possible further harassment at each stage..

Steps Taken to Initiate BPS/FRS. In 2005 the US Treasury provided an expert who, working with a local information technology firm, designed an electronic computerized flag receipt system with dedicated computers, custom-designed software, and a wireless linkage between the Ministry of Finance and the CBL. USAID provided computer hardware and software, a 65KVA electric generator and paid for development of the system. The MOF provided an office to be used as a CBL annex, within which the CBL provided five cashier terminals configured for the BPS/Flag system (as well as for the BankMaster program of the CBL, also financed by USAID).

This system reconciled amounts due, amounts billed, amounts paid and receipts. Any waiver or discrepancy required an explicit sign-off by the relevant officer, and such sign-offs were automatically flagged for review by the Ministry of Finance. As of January 16, 2006 the CBL accepted only mechanized BPS and as of January 30 all CBL Flag receipts were computer produced. In early February, authorities began daily electronic reconciliation of the CBL/MOF account in electronic form together with electronic downloads of BIVAC's Clean Report of Findings from its Paris office. The inauguration of this system in early 2006, together with enforcement of offshore verification of import values, contributed to increase revenues from taxes on international trade of 35 percent for the period first full five months of the Sirleaf administration, compared to the same period in 2005,. After the introduction of this system, total time to import was measured by the IFC as 10 days, which compares favorably to other, admittedly busier, ports in the region (varying from Ghana at 29 days to Lagos at 46 days).

Following on this success, the Government sought USAID assistance to contribute to a "One-Stop Clearing House" program to improve both port and customs operations. In this proposal the clearance for Port charges, BIVAC certification, and conformity with regulations of the Ministries of Commerce and Finance are to be co-located as well as payment cashiers of the Central Bank (CBL) in the port. Shipment data recorded in

BIVAC datasets overseas would be linked to the electronic flag receipt system in order to assure timely, correct and full payments. This system is to be extended to the other SOEs that generate revenue and handle tax and customs fees, including LPRC, RIA, and FDA (including the SGS contractor assuring chain of custody and payment of taxes and fees on timber exports), and MLME, effectively linking the major components of the USAID GEMAP assistance and reducing the latitude for fraud while simplifying procedures for private importers and exporters.

USAID chose not to utilize the Treasury consultant who had provided the original assistance in its response to this request. The task was passed to Segura, the contractor providing the internationally recruited SOE controllers. However, several complications arose. A CTO who had not been involved in the first activity consulted closely with the CBL (which wished also to upgrade DOS-based BankMaster software provided under the original assistance to the more powerful 32-bit Windows version BankMaster Plus) but less closely with the MOF which would be the primary client for the system. Further, the CTO subsequently departed without leaving complete documentation of his own interventions and contacts. He had not considered re-contracting the original, Treasury consultant for the follow-on; further, the consultant apparently has left no software documentation (though the local IT firm understands the components of the software). With limited budget, Segura could only hire a project advisor (for four weeks of effort), with inadequate consultation to manage the expectations of (and ownership by) either the MOF—that that expected a manager for the entire One-Stop Clearing House implementation—or the CBL that expected to be offered a choice of candidates so that it would select a project manager for the hardware and software implementation. The advisor's CBL counterpart was not a staff member but rather a contractor with an hourly fee for which there were no resources in the budget. On the side of the MOF that would be the central operator of this system, electronic systems have been introduced in the Expenditure and Debt Management Department (including for payroll) and in the Revenue Department with the Flag System which currently captures all tax payments paid through the CBL and generates reports. Rural stations of the MOF are not yet on-line. A World-Bank-sponsored IFMIS only now being introduced and the IT professionals are only beginning to be put in place, and Ministerial IT is managed by an outside local consultant. The MOF assigned the project leader for the One-Stop Clearing House development to lead the expansion of the Flag Receipt System, though he is not an IT expert.

Besides its organizational woes, the process has been beset by procedural obstacles. The MOF launched equipment procurement for the wireless system linking the port, airport and logging port with the Ministry of Finance, using restricted bidding following PPCC guidelines. The opening of bids was delayed due to extensions requested by the bidders, until the opening took place only at the moment of the advisor's departure, so he did not observe the opening and permitting international partner concerns—concerns that are not shared by the Government which believes the advisor should have extended a day to so participate—about the potential for procedural abuses; further, a new USAID contracts officer determined that the restricted bidding used, though it met

PPCC guidelines and acceptable to a previous contracts officer, did not meet those of USAID and halted the bidding process. These complications and misunderstandings had halted the project at the time of this assessment, with the government unclear whether the contract would have to be rebid. The Segura advisor expresses concern that the custom software package is inadequately documented in case of failure or need for expansion, lacks sufficient audit trail, and leaves the potential for fraud on the part of outside programming contractors that should raise red flags concerning implementing the system in real time in the nation's Central Bank (currently the information is batched from the MOF to the CBL); he proposes that a new system be introduced based on commercial software.¹⁹ Whether or not the software is changed, the CBL expresses concern that the project does not include a maintenance contract for the initial months of operation.

On the positive side, the CBL Bank Master Plus software has been procured and installed at a cost of \$359,000 and has been operating since February 18, 2008. The building for the One-Stop Clearing House has been rehabilitated in the Freeport and the various staff trained; it awaits the hardware and software to extend the system within the organization that is responsible for 98 percent of the country's imports.

Next Steps for BPS/FRS. The immediate hurdle is for USAID to supervise this activity more closely, after the time and effort lost to CTO turnover at crucial junctures in the process. The full operation of the One-Stop Clearing House in the Port would be of benefit to the private sector and would provide an important tool for the reduction of the financial abuse attributable to the NPA; the extension of the BPS Flag Receipt System to LPRC, RIA and to the FDA/SGS to provide a timely start-up of the timber export taxation system will minimize the potential for abuse of the new revenue sources.

The MOF has discovered that the Flag Receipt System currently can reduce but not eliminate fraud, as the receipts themselves (required for Stage 3 of the port clearance process described above) can be forged or altered. The ministry has contracted with a major banknote printer to produce receipts on safety paper, to reduce greatly the opportunity for such fraud. This is financed from the government budget, and will be starting as of July 1, 2008 at the Port and at RIA.

More generally, the US assistance to the Flag Receipt System is activity serves as a useful entry point for broader assistance to the "securing Liberia's revenue base" component of GEMAP. The revenue side the government ledger has been receiving short-term technical assistance from the peripatetic IMF advisor and from IMF Fiscal Affairs Division, particularly in reorganization according to function and in formulating the modernization strategy.

The Ministry continues its move to computerized systems. The Revenue Department has online access to a taxpayer payments database through a payment module and to taxpayer profiles through the Taxpayer Identification Number module within its new tax

¹⁹ This proposal is consistent with the MOF modernization strategy for automation. The Ministry is moving to implement this and attempting to identify further funding to permit this systems updating.

administration system, the Bureau of Customs and Excise is in the process of installing ASYCUDA, while the World Bank IFMIS project is assisting in the development of an IT department and will be financing SIGTAS tax administration software, with advisory assistance from the IMF. The Deputy Minister for Revenue suggests that the current Flag Receipt work could usefully lead to total connectivity of the Revenue Department to the county branches of the CBL. Currently taxpayers outside Monrovia pay to tax collectors, even in locations where CBL branches exist. Establishing connectivity would increase the ease of doing business with the Government and reduce the opportunity for fraud. As a later step, connectivity could be established between commercial banks and the CBL, so that branches of the commercial banks could receive tax payments.

Recommended Activities for GEMAP

Completion of the BPS Flag Receipt System. The team believes that the completion of the BPS Flag Receipt System is essential to reducing corruption on the revenue side and in the operation of the Freeport of Monrovia. The team recommends that an immediate decision be made as to whether to continue with the procurement of the radio equipment already underway (as proposed by the Ministry and the consultant) or to re-bid if this is required according to USAID international procurement rules, and then to proceed. The opening of the “One-Stop Clearing House” requires that this system be fully functional, while the beginning of timber exports will also rely on the functioning of this system. For this it may be efficient to recruit the original Treasury consultant who designed the system. Independently, and less urgently, the team proposes that the custom software should be replaced with a commercial package as recommended by the Segura advisor and according to the Ministry’s own modernization plan using recommendations from a study done by UNCTAD.

Further, even the original assistance is not being fully utilized for the benefit of Liberia. USAID provided no training of the electronic account balancing function of the BPS/Flag system to MOF personnel. Consequently this ability of the system is unknown to MOF personnel. There was no training of MOF managers on what information is available and how to use the MOF and CBL information captured in the BPS/Flag system which could help them in their day to day management, or for the tax audit unit of the Large Taxpayer Unit (LTU) to using the database as an auditing tool. Finally, there was no training of CBL managers on what information is available and how to use the CBL information captured in the BPS/Flag system which could help them in their management; this training is now being done.

Assistance to domestic revenue collection by the Ministry of Finance. While the Revenue Department currently receives assistance from peripatetic advisors of the IMF and while the World Bank and African Development Bank are planning to provide selected assistance with hardware, software, and development of the department’s IT capabilities, there is a role for USAID in:

- Extension of the commercial software that will extend the tax administration system (and possibly supersede the Flag Receipt System) to CBL branches in the counties, in association with the AfDB
- Undertaking an assessment regarding the desirability of eventually extending it to commercial bank branches, to reduce corruption and simplify the payment of taxes;

In another area of need at the MOF, USAID has relevant experience in providing assistance in a nationwide reappraisal of property values and establishment of an electronic database, as suggested to the assessment team by the Deputy Minister for Revenue. It may also be timely to assess the need for reform of the property tax system and its administration – looking ahead to the possibility for decentralization of property tax administration, to accompany the administrative decentralization that has become a recent theme of the Administration’s governance program.

For the next stage of GEMAP donor assistance, the assessment team believes that USAID and other GEMAP partners should also consider shifting more attention and resources to improving the efficiency and building defenses against corruption in the MOF’s collection of other domestic taxes, while maintaining the effort to control customs receipts as the economy recovers and trade increases. During the past two years, GEMAP donors have provided only sporadic, intermittent assistance to the MOF collection of “income and profits taxes” and “taxes on domestic goods and services” – which together accounted for \$57 million in FY2006/07 revenue and which should become over time a more important source of GOL revenue than taxes on international trade.

To help set priorities and targets for USAID assistance in these areas of domestic tax administration and tax policy, USAID could benefit from a separate diagnostic assessment of those aspects of the MOF revenue system.

USAID ACTIVITIES UNDER GEMAP IN LIBERIA

Annex I. Controls at the Exit Gate of the Freeport of Monrovia



NATIONAL PORT AUTHORITY

Monrovia, Liberia

April 12, 2007

To: Director Acqui
Director Kpaan
Director Pratt

cc: Samuel Dahn, Acting Chief Accountant

From: Thomas Downing, GEMAP Controller

Re: Controls over gate passes and the exit gate

Weak controls over the issuance of gate passes were at the heart of the losses in the BMW case and the recent container case.

In the aftermath of these losses, the Ministry of Finance, Ministry of Commerce, the NPA's Operations Department and the NPA's Finance Division met several times to formulate improved controls.

The result is the attached document, *Controls at the Exit Gate*. This represents a thorough redesign of our method of issuing gate passes and monitoring traffic through the gates. If we implement these plans, we will go a long way toward stopping the illegal removal of containers and vehicles.

I'd recommend that you appoint someone to carry this work forward. The next steps, as I see them, are as follows:

- Formally report back to the Ministries on the work of the committee, providing the attached document.
- Brief the two ministries. The Minister of Commerce is particularly keen to hear from us.

- Implement the improvements that are within the control of the NPA.
- Convene another meeting of all parties to implement the improvements that require inter-agency collaboration.

Attachment: Controls at the Exit Gate

Controls at the Exit Gate

February 13, 2007; Rev. March 13 and March 23, 2007

Tighten controls over issuance of the gate pass.

Much of the verification that takes place now at the exit gate should instead take place upon issuance of the gate pass. Better control can be exercised at the point of issuing the gate pass than at the exit gate.

- More senior people sign the gate pass, and they have more skill and experience in authenticating documents.
- Gate passes can be issued in a calm and orderly manner, allowing time to scrutinize documents and ask questions. It is difficult to do this at the exit gate, with the cramped quarters, the distance from the offices containing files, and the long line of trucks queued up.

At present, the gate pass is signed by a supervisor in the NPA's operations department. The supervisor verifies documents from the NPA, from the Ministry of Commerce, the Ministry of Finance and others.

We should change the signatory requirements on the gate pass as follows:

- The NPA should not have the ultimate responsibility to verify documents of the Ministry of Commerce and Ministry of Finance. Instead, the Ministries should verify their own documents and, based on that verification, they should sign the gate pass along with the NPA. The Ministries will provide names and specimen signatures of their signators.
- The operations supervisor at the NPA should sign the gate pass, as he does now.
- The Operations Manager or his designee should also sign the gate pass. This will provide for closer supervision.
- The NPA Income Manager should sign the gate passes. This will provide an independent check.
- The NPA signers will verify the following documents, in their original, before signing the gate pass:

- NPA invoice
 - NPA cash receipt
 - NPA's "OK to load"
 - Bill of lading
 - Delivery order
- The Ministry of Finance and the Ministry of Commerce will specify precisely what their representatives must verify before they sign the gate pass. These will presumably include originals of the following documents (and perhaps others):
 - IPD
 - Bivac stamp on the IPD
 - IPD payment receipt receipt
 - Customs entry form

The gate passes issued should be logged and the logs should be provided to the exit gate. Thus when a vehicle presents a gate pass at the gate, the inspectors will be able to verify that the gate pass also appears on the log.

Prevent multiple use of the same document.

To prevent the practice of using the same documents multiple times, those who sign the gate pass must see original documents and not duplicates [note: any exceptions?]. After reviewing and recording the document, the signer of the gate pass must mark the original "Used on [date] for [container/vehicle #].... Not to be reused."

The NPA and the Ministries will affix their seals to gate passes and other documents.

Gate passes, and possibly other documents, will be printed with high security features.

Controls will be established over document stock.

Simplify the role of exit-gate inspectors, and specify the role precisely.

If we tighten controls over the issuance of gate passes, per above, the task to be performed at the exit gate becomes simpler. It consists primarily in authenticating the gate pass. This can be done by inspecting the signatures on the gate pass and comparing them to the specimen signatures and by verifying that the gate pass is listed on the log provided by Operations. The supporting documents that were examined when the gate pass was issued (invoice, receipt, bill of lading, IPD, etc.) do not have to be examined again at the gate.

The authority and responsibilities of each person at the gate should be set out in writing and posted on the wall.

Each inspector must have independent authority to stop a vehicle from leaving the port. That is, each inspector must have a veto. No one at the gate can direct an inspector to allow a vehicle to pass over his objection.

Limit the number of inspectors at the exit gate.

Inspectors should be limited to four, representing NPA Operations, NPA Finance, Ministry of Finance and Ministry of Commerce. Each may have a back-up to serve during breaks.

Other parties may observe, but with no power to authorize or prohibit passage of vehicles. These may include NPA's MIC and LSP, UNMIL and others.

Rotate personnel at the exit gate.

All personnel should be rotated on a regular and frequent basis. Rotation should occur at least every two months and it should be staggered, such that the same people are not often assigned as a team.

Record gate information electronically.

Computers and a local area network should be installed at the exit gate, linked to each inspector's entity. The log of gate passes issued will be available online, and the gate passes presented at the gate will be compared to this log. The inspectors will enter the gate passes presented.

Until the computers and LAN are available, the logs will be exchanged manually.

Reconcile information collected at the gate.

NPA Finance, NPA Operations, Ministry of Finance and Ministry of Commerce will reconcile the exit records to their own records.

NPA Finance and NPA operations will prepare a daily reconciliation between exit-gate records, gate passes issued, and payments received.

Discrepancies found by any of these entities will be passed along to each of the other entities.

Inspect all vehicles.

To stop the illegal exit of imported vehicles, every vehicle (including what appear to be private automobiles) must be stopped. Inspectors should verify the vehicle pass decal and their access badge. Decal number and license plate number should be logged. This procedure should be followed at both the main gate and the Head Office gate.

To stop the illegal unstuffing of containers and subsequent illegal removal of their contents from the port, the contents of every vehicle should be inspected.

Limit the points of exit.

The exit gate at near LMC should be securely locked. It should be opened only when ships are being worked.

At the Head Office gate, nothing should be permitted to pass except vehicles displaying an NPA decal and carrying occupants who possess NPA access badges.

Provide for camera surveillance.

Install a 24-hour video camera that records all vehicles passing through the gate.

Put the gate under electronic control.

Install a gate that can be opened and closed by remote electronic control. Require a pass code to be entered before the gate will open.

Create greater physical order; reduce clutter and time pressure.

Create a less-congested workspace for inspectors. Reduce the number of people in the guard house. Enlarge the room. Secure the room to ensure the security of computer equipment and local area network.

Relieve the time pressure on the inspectors that forces them sometimes to take short-cuts. Stop all vehicles at a holding point some distance away from the gate. Bring documents to the gate while the vehicle is in the holding area. Once all inspectors have recorded information and given their approval, call the vehicle to approach the gate. One vehicle approaches at a time. No queuing takes place at the gate.

Train people.

Conduct training for inspectors:

- Their roles and responsibility
- Their authority
- How to detect fraudulent documents
- How to use the computer and the local area network
- What to do in the case of suspicions
- How to authenticate signatures via comparison to specimen signatures

Issue a list of “red flags” to the inspectors. These are indications that something might be amiss with the documentation.

Report suspicions and anomalies.

Issue instructions to inspectors on how to report suspicions or anomalies. Such reports should go up at least two levels in the chain of command, and the different agencies represented at the gate should share these reports.

Provide a digital camera to take pictures of suspicious cargo, vehicles or persons.

Install a photocopier at the gate house to copy any documents that appear suspicious.

Ensure that no one abuses the special considerations UNMIL is given.

UNMIL shipments should be subjected to the same gate-pass control applied to other consignees. All vehicles claiming to carry UNMIL cargo and containers should be required to authenticate that UNMIL is indeed the consignee. The driver’s identification should be examined and the driver’s name recorded.

UNMIL vehicles passing through the gate during non-working hours must have gate passes issued during normal hours, and a list of these gate passes must be presented to the gate prior to the vehicles arrival at the gate. The gate must log the departure of all UNMIL vehicles during off-hours. NPA officials must be posted at the gate during all non-working hours and must inspect and authenticate the gate pass and log the vehicles.

NPA, Customs and Commerce Ministry will meet with UNMIL to negotiate tighter control over UNMIL vehicles, subject to relevant agreements.

USAID ACTIVITIES UNDER GEMAP IN LIBERIA

Annex II. Controls and Training Needs in a Computerized Environment

Nezam Motabar, CMA

This presentation²⁰ highlights the general considerations for introduction of controls at the three SOEs, namely, the National Port Authority (NPA), Liberian Petroleum Refining Company (LPRC) and the Robert International Airport (RIA) and the Forestry Development Authority (FDA) in conjunction with their introduction of an automated system. Introduction of these controls should be considered in the overall context of the needs of each of the SOEs, and the priorities for and the extent to which implementation of different modules of the intended software (ACCPAC or pastel) are planned at each of these SOEs.

To the extent possible, this note is adapted for the particular situation of the three SOEs and the FDA. It is presented in a manner to be:

- Most adaptable in particular to the implementation of the ACCPAC, and the considerations for the functions of the internal audit units which are in a nascent stage of development, and*
- Considered in conjunction with the upcoming proposal from IBI to provide a long-term advisor to oversee a government-wide standardization of IT/MIS solutions (including GOL websites).*

It is hoped that this summary would help serve also as a checklist for the needed controls as well for the staff training purposes. It should complement the other related materials that are already available to the users of the accounting software, where a particular control issue may not have been directly addressed.

²⁰ Adapted, modified and summarized from a paper on MIS (posted on the AICPA site).

CONTROL ASPECTS:

These controls apply to a wide range of exposures that systematically threaten the integrity of all applications processed within the computer Based Information System (CBIS) environment. General controls can be further subdivided under following headings:

- (I) Personal computer controls
- (II) Operating system controls
- (III) Data management controls
- (IV) Organizational structure controls
- (V) Systems development controls
- (VI) Systems maintenance controls
- (VII) Computer centre security and controls
- (VIII) Internet and Intranet controls

This presentation is limited in scope and only a few of these controls are covered in this summary.

(I) Personal Computer Controls:

The capabilities, adaptability and user friendliness of Personal Computers (PCs) are posing a serious challenge to auditors as stated below.

(I. 1) Control and Security Measures

The control and security measures that could be exercised are as follows:

- Physically locking the keyboard or the PC itself must be enforced.
- Proper logging of equipment shifting must be done.
- The PC purchases must be centrally coordinated and company-wide standards established for spread sheets, word-processors, applications software etc.
- Floppies must be stored in secured places and their issues duly authorized. They must be adequately packed before any shipment.
- Data and programs on hard-disks must be secured using hardware/software mechanisms. Backups must be taken regularly.
- Minimum standard must be set for developing, testing and documenting applications.
- Properly organized training programs must be periodically conducted.
- More than one user should be trained on each specific application/module.
- Virus prevention and detection software obtained from reliable sources must be used.
- Write protect tables should be used on diskettes that do not require any alteration.
- Pirated software should be strictly avoided.
- The PCs and their peripherals must be maintained regularly.

(I. 2) Weak Access Control:

Security software that provides log-on procedures is available for PCs. Most of these programs, however, become active only when the computer is booted from the hard drive. If a person wants to circumvent the log-on procedure may do so by forcing the computer to boot from the A: drive, whereby an uncontrolled operating system can be loaded into the computer's memory. Having bypassed the computer's stored operating system and security package, that person will have unrestricted access to data and programs on the hard disk. Disk locks are devices that prevent unauthorized individuals from accessing the floppy disk drive of a computer. One form of disk lock is a memory-resident program that prevents the computer from being booted from the A: drive. The lock will also prevent the A: drive from being used to run programs, upload data and programs to the hard disk. This form of disk lock is password controlled so it can be disabled as needed by an authorized user.

(I. 3) Multilevel Password Control:

It is used to restrict employees who are sharing the same computer to specific directories, programs, and data files. The technique uses stored authorization tables to further limit an individuals' access to read-only, data input, data modification, and data deletion capability. Multilevel password control can greatly enhance the small organization's control environment.

(I. 4) Inadequate Backup Procedures:

To preserve the integrity of mission-critical data and programs, organizations need formal backup procedures. Computer failure, usually disk failure, is the primary cause of significant data loss in the PC environment. If the hard drive of the microcomputer fails, it may be impossible to recover the data stored on the disk. Formal procedures for making backup copies of critical data (and program) files can reduce this threat considerably. There are a number of options available for dealing with this problem.

(I. 5) Floppy Disk Backup:

Files can be backed up to floppy disks at routine periods during processing and stored away from the computer. In the event of a microcomputer failure, the data file can be reconstructed from the backup disks.

(I. 6) Dual Internal Hard Drives:

Microcomputers can be configured with two physical internal hard disks. One disk can be used to store production data while the other stores the backup files.

(I. 7) External Hard Drives:

A popular backup option is the external hard drive with removable disk cartridge, which can store more than a gigabyte of data per cartridge. When a cartridge is filled, the user can remove it and insert a new one. External hard drives can be used as an effective and simple backup technique.

(I. 8) Disaster Recovery Plan (DRP):

The term 'disaster Recovery' describes the contingency measures that organizations have adopted at key computing sites to recover from, or to prevent any monumentally bad event or disaster. The primary objective of disaster recovery plan is to assure the management that normalcy would be restored in a set time after any disaster occurs, thereby minimizing losses to the organization. The disaster recovery plan must take into account the physical location of the computer centre, since it can increase or decrease the chance of a disaster. Protection against flood, fire, earthquake or water logging etc. must be considered.

Although each organization would like to have a specifically tailored disaster recovery plan, the general components of the plan would be as follows:

(I. 8)-(i) Emergency Plan:

This part of the Disaster Recovery Plan (DRP) outlines the actions to be undertaken immediately after a disaster occurs. It identifies the personnel to be notified immediately, for example, fire service, police, management, insurance company etc. It provides guidelines on shutting down equipment, termination of power supply, removal of storage files and removable disks, if any. It sets out evacuation procedures like sounding the alarm bell, activating fire extinguishers, evacuation of personnel. It also provides return procedures as soon as the primary facility for operation like backing up data files at off-site, deleting data from disk drives at third party's site, relocation of proper versions of backup files, etc.

(I. 8)-(ii) Recovery Plan:

This part of the DRP sets out how the full capabilities will be restored. A recovery committee is constituted. Preparing specifications of recovery like setting out priorities of recovery of application systems, hardware replacement etc. will be the responsibility of Recovery Committee.

- An inventory of the hardware, application systems, system software, documentation etc. must be taken.
- Criticality of application systems to the organization and the importance of their loss must be evaluated. An indication must be given of the efforts and cost involved in restoring the various application systems.
- An application systems hierarchy must be spelt out. This would be used when the management decides to accept a degraded mode of operation.
- Selection of a disaster recovery site must be made. A reciprocal agreement with another organization having compatible hardware and could be made. However, systems availability and data security problems must be considered at this point.
- Hiring a service bureau is another option. If the situation warrants, a fully operational backup site could also be considered.
- A formal backup agreement with another company must be made. This should cover the periodical exchange of information between the two sites

regarding changes to hardware/software, the time and duration of systems availability, modalities of testing the plan etc.

(I. 8)-(iii) Backup Plan:

Organizations no matter how physically secure, their systems are always vulnerable to the disaster. Therefore, an effective safeguard is to have a backup of anything that could be destroyed, be it hardware or software. As regards hardware, stand by, as discussed above, must be kept with regard to the needs of a particular computer environment. So far as the software is concerned, it is necessary to make copies of important programs, data files, operating systems and test programs etc. in order to get back into operation before the company can suffer an intolerable loss. Often, the originals are stored at site that is physically distant from the actual site, and where duplicate copies are used for processing. The backup copies must be kept in a place which is not susceptible to the same hazards as the originals.

(I. 8)-(iv) Test Plan:

This plan looks after the testing of DRP and analysis of the result. It identifies deficiencies in the emergency, backup or recovery plan. It contains procedures for conducting DRP testing like:

- Paper walk-through: It involves crucial personnel in the plan's execution, reasoning out what might happen in the event of different disasters.
- Localized tests: It simulates system crash. This test is performed on different aspects of DRP.
- Full operational test: It is nearer to disaster conditions. Paper walkthrough and localized tests should have been conducted before completely shutting down the operations to simulate disasters.

(II) Operating System Controls

(II. 1) System Control objectives

Control objectives of an operating system are as follows:

- (i) The operating system must protect itself from users. User applications must not be able to gain control of, or damage in any way, the operating system, thus causing it to cease running or destroy data.
- (ii) The operating system must protect users from each other. One user must not be able to access, destroy or corrupt the data or programs of another user.
- (iii) The operating system must protect users from themselves. A user's application may consist of several modules stored in separate memory locations, each with its own data. One module must not be allowed to destroy or corrupt another module.
- (iv) The operating system must be protected from itself. The operating system is also made up of individual modules. No module should be allowed to destroy or corrupt another module.

- (v) The operating system must be protected from its environment. In the event of a power failure or other disaster, the operating system should be able to achieve a controlled termination of activities from which it can later recover.

(II. 2) Audit Techniques for Information Systems:

Commonly used concurrent audit techniques for information systems are discussed below:

- (i) *An Integrated Test Facility Technique (ITF)* places a small set of fictitious records in the master files. Processing test transactions to update these dummy records will not affect the actual records. Since fictitious and actual records are processed together, company employees usually remain unaware that this testing is taking place. The system must distinguish ITF records from actual records, collect information on the effects of the test transactions and report the results. The auditor compares processing and expected results in order to verify that the system and its controls are operating correctly. ITF technique can be used effectively for both batch processing system as well as online processing system.
- (ii) *The Snapshot Technique* examines the way transactions are processed. Selected transactions are marked with a special code that triggers the snapshot process. Audit modules in the program record these transactions and their master file records before and after processing. Snapshot data are recorded in a special file and reviewed by the auditor to verify that all processing steps have been properly executed.
- (iii) *System Control Audit Review File (SCARF)* uses embedded audit modules to continuously monitor transaction activity and collect data on transactions with special audit significance. The data are recorded in a SCARF file. Transactions that are generally recorded in a SCARF file include those exceeding a specified limit, inactive accounts, deviating from company policy, or containing write-downs of asset values etc. Periodically the auditor examines the SCARF file to identify questionable transactions and performs the necessary follow-up investigations.
- (iv) *Audit Hooks* are audit routines that flag suspicious transactions. For example, internal auditors at an insurance company determined that their policyholder system was vulnerable to fraud every time a policyholder changed his or her name or address and then subsequently withdrew funds from the policy. They devised a system of audit hooks to tag records with a name or address change. The internal audit department will investigate these tagged records for fraud. When audit hooks are employed, auditors can be informed of questionable transactions as soon as they occur. This approach of real-time notification displays a message on the auditor's terminal.

- (v) *Continuous and Intermittent Simulation (CIS)* module that is embedded in a data base management system, examines all transactions that update the DBMS using criteria similar to SCARF. If a transaction has special audit significance, the module independently processes the data, records the results and compares them with those obtained by DBMS. If any discrepancies exist, the details are written on to an audit log for subsequent investigation. In case of serious discrepancies, CIS may prevent the DBMS from executing the update process.

(II. 4) Relevance of Concurrent Audit Techniques for Information Systems:

These techniques perform audit functions, they also report test results to the auditor and store the evidence collected for the auditor's review.

There are two major exposures in the communication sub -system including Internet and Intranet.

- Data may be lost or corrupted through Component failure.
- An intruder may subvert data being transmitted through the sub-system.
- (i) *Component Failure*: The primary components in the communication sub-systems are:
 - (a) Communication lines viz. twisted pair, coaxial cables, fiber optics, microwave and satellite etc.
 - (b) Hardware – ports, modems, multi-plexers, switches and concentrators etc.
 - (c) Software – Packet switching software, polling software, data compression software etc.

Due to component failure, transmission between sender and receiver can be disrupted, destroyed or corrupted in the communication system. There may be loss of databases and program stored on the network server due to equipment failure.

- (ii) *Subversive threats*: An intruder attempts to violate the integrity of some components in the sub-system.
 - (a) Invasive tap: By installing it on communication line, he can read and modify data.
 - (b) Inductive tap: It monitors electromagnetic transmissions and allows the data to be read only.

Subversive attacks can provide intruders with important information about messages being transmitted and the intruder can manipulate these messages in many ways.

(II.5) Control Risks:

Following mechanism can be used to control risks:

- (i) *Fire wall*: Organizations connected to the Internet and Intranet often implement an electronic firewall to insulate their network from outside

intruder. A firewall is a system that enforces access control between two networks. To accomplish this:

- All traffic between the outside network and the organization's Intranet must pass through the firewall.
- Only authorized traffic between the organization and the outside is allowed to pass through the firewall.
- The firewall must be immune to penetration from both outside and inside the organization.

In addition to insulating the organization's network from external networks, firewalls can be used to insulate portions of the organization's Intranet from internal access also.

(II. 6) Trojan Horse:

A Trojan Horse is a program whose purpose is to capture Ids and passwords from unsuspecting users. The program is designed to mimic the normal log-on procedures of the operating system. When the user enters his/her ID and password, the Trojan horse stores a copy of them in a secret file. At some later date, the author of the Trojan Horse uses these Ids and passwords to access the system and masquerade as an authorized user.

Threats from destructive programs can be substantially reduced through a combination of technology controls and administrative procedures. The following examples are relevant to most operating systems:

- Purchase software only from reputable vendors and accept only those products that are in their original, factory-sealed packages.
- Examine all upgrades to vendor software for viruses before they are implemented.
- Establish an educational program to raise user awareness regarding threats from viruses and malicious programs.
- Install all new applications on a stand-alone computer and thoroughly test them with antiviral software prior to implementing them on the mainframe or LAN server.
- Routinely make back copies of key files stored on mainframes, servers, and workstations.
- Use antiviral software (also called vacancies) to examine application and operating system programs for the presence of a virus and remove it from the affected program.

(III) Data Management Controls

(III. 1) Auditors Reviewing an Information System

Auditors involved in reviewing an information system should focus their concern on the system's control aspects. ***They must look at the total systems environment - not just the computerized system.*** This requires their involvement from the time that a transaction is initiated while it is posted to the organization's general ledger. Specifically, auditors must ensure that provisions are made for:

- An adequate audit trail so that transactions can be traced forward and backward through the system,
- Controls over the accounting for all data entered in the system (in particular where not all the accounting functions are computerized and some of them still remain manual), and
- Controls to ensure the integrity of these transactions throughout the computerized segment of the system, and also
- Controls over manual accounting data where they serve as the primary data (but are strictly speaking, from an accounting perspective, are secondary data) for recording in the computer,
- Handling exceptions to and rejections from the computer system,
- Testing to determine whether the systems perform as stated,
- Control over the changes to the computer system to determine whether the proper authorization has been given,
- Authorization producers for system overrides,
- Determining whether organization and government policies and procedures are adhered to in system implementation,
- Training user personnel in the operation of the system,
- Adequate controls between interconnected computer systems,
- Adequate security procedures to protect the user's data,
- Backup and recovery procedures for the operation of the system,
- Technology provided by different vendors are compatible and controlled,
- Data bases are adequately designed and controls to ensure that common definitions of data are used throughout the organization, and
- Developing detailed evaluation criteria so that it is possible to determine whether the implemented system has met predetermined specifications.

(III. 2) Classification of Information

Sensitive information may be briefly classified as information relating to strategic plans, operational processes and procedures and finances.

The factors that should be considered while deciding about the level of protection needed for information are:

- (i) Acts as a documentation aid.
- (ii) Is useful for file security.
- (iii) Helps in establishing an audit trail.
- (iv) Is useful for planning the flow of transaction data through the system.

- (v) Serves as an important aid in investigating or documenting internal control procedures.

In a global information society, where information travels through cyberspace on a routine basis, the significance of information is widely accepted. In addition, information and the information systems and communications that deliver the information are truly pervasive throughout organization – from the users' platform to local and wide area networks to servers to mainframe computers. Organizations depend on timely, complete, valid, consistent, relevant and reliable information. Accordingly, executive management has a responsibility to ensure that the organization provides all users with a secure information systems environment.

(III. 3) Approach to recording of the incoming data

(Discussion is limited to complementary manual and non-integrated computer systems)

As mention in (III.1) above, where part of the internal form and document generation that serve as primary documents are manual, it is extremely important to differentiate and establish separate and appropriate control procedures for recording of primary data and secondary data in the computer. (Primary data are original records of transactions that are normally automatically produced by the computer and serve as the basis for recording of the transactions in the books. Secondary data are manually generated internal forms and documents).

Perhaps a reemphasis is in order, in that in those entities (the 3 SOEs and the FDA), introduction and strict adherence to such procedures is essential where there the chain of document generation that leads to recordings in the books is in part manual. It is more so, where the main forms that form the basis of recording for revenue generation are prepared manually.

In a similar vein, in a **non-integrated computer environment**, procedures should be introduced where the incoming data that form the basis of recording of transactions come from a set of other computers. This is especially important, when such information come from a company that it is providing technical assistance at an operational level at one of these SOEs or the FDA.

USAID ACTIVITIES UNDER GEMAP IN LIBERIA

Annex III. Customer Survey Results for NPA, LPRC, and RIA

Nezam Motabar, CMA

April 2008

CUSTOMER SURVEY RESULTS

TABLE OF CONTENTS

1. SURVEY BACKGROUND
2. SUMMARY OF SURVEY RESULTS
 - Major Concerns Expressed by the Customers at the Three SOEs
 - 2.A Summary of the Results of CUSTOMER SATISFACTION Survey
 - 2.B Summary of the Results of TRANSPARENCY AND ACCOUNTABILITY Survey
3. DETAILED SURVEY RESULTS
 - 3.A Detailed Results of CUSTOMER SATISFACTION Survey
 - 3.B Detailed Results of TRANSPARENCY AND ACCOUNTABILITY Survey

ATTACHMENT

1. List of customers interviewed

1. SURVEY BACKGROUND

A customer survey was planned and conducted as part of the GEMAP evaluation that took place in March 2008. The main objectives of the GEMAP evaluation were to assess and analyze the extent to which GEMAP has accomplished its original objectives and has positively impacted corruption perceptions and measures. Customer surveys were therefore to be performed, with the main objective of gauging improvements in service delivery and achievements in transparency and accountability aspects that may have reduced corruption and leakage of state revenue since GEMAP began in September 2005.

Customer surveys took the form of in-depth interviews conducted with the main customers of the National Port Authority (NPA), the Liberian Petroleum Refining Company (LPRC), and the Roberts International Airport (RIA). Interviews with the customers of these state-owned enterprises (SOEs) were conducted from March 20 to March 26, 2008. The list of customers at each of the three SOEs was obtained from the GEMAP Controller at each SOE.²¹ The GEMAP Controllers were requested to provide names for both their large and small customers, as well as the types of services provided to each customer. GEMAP Controllers also provided contact information necessary to set customer appointments; however, in the event that the listed individual was not available, a replacement was interviewed. Because the client base of each SOE is rather small, only 19 customers were interviewed. This number should account for at least 90% of the total business receipts for each of the three SOEs.

The principal aim of these interviews was to establish whether significant changes have occurred in the areas of corruption, leakage of state revenue, customer service, or the costs of services provided. To this end, the evaluation team developed a survey questionnaire of 30 questions, designed to solicit responses in a manner such that interviewees could compare the current situation to pre-GEMAP conditions. The questions addressed the integrity, quality, and efficiency of the services provided by the SOEs both in 2005 and at the time the survey was administered.

The detailed survey results which follow are presented in two parts – customer satisfaction and transparency and accountability – reflecting the questionnaire format. In both parts of the questionnaire, questions were designed and presented: (i) in a format that would capture all aspects of a customer's interaction and experience with the related SOE; and (ii) in a manner that would yield information on the formal and informal rules affecting each customer's interaction with that particular SOE. The customer satisfaction section was designed to evaluate in detail the different aspects of the customers' experiences in their dealings with the related SOE and therefore addressed the quality of service delivery, communication, timeliness, staff, and customer service. The transparency and accountability section of the survey was designed to gauge (i) awareness of changes in financial systems and procedures that have been made over the past 2-3 years at the SOE; and (ii) the extent to which customers believe that these changes have resulted in more accountable and transparent procedures and systems.

Other notes and general survey background comments follow:

1. The customer satisfaction section of the survey consisted of 24 questions including scale and ranking components, as presented in the table below. Additional comments were solicited from customers to better explain their responses. In particular, the final two questions asked customers their views on most important areas of customer service and how these areas could be improved.

²¹ The list provided by each SOE is shown in attachment 1 to the current report.

Scale and Ranking for the customer satisfaction survey

5 Point Scale	Satisfaction Scale	Likely Scale
(5) Very high	5. Very satisfied	5. Very likely
(4) High	4. Satisfied/fairly satisfied	4. Likely
(3) Moderate	3. Neither satisfied nor dissatisfied	3. Neither
(2) Low	2. dissatisfied/fairly dissatisfied	2. Unlikely
(1) Very low	1. Very dissatisfied	1. Very Unlikely

2. The transparency and accountability section of the survey consisted of eight questions. In order to measure customer perspectives on governance issues relating to the SOEs, customers indicated a standard response (Yes/No/Do Not Know) that most closely described their experience and were invited to offer additional comments to provide clarity. The final two questions were designed to ensure that the interviewer had covered all aspects relevant to the survey and that the customer had the opportunity to address issues of particular concern. All customers answered "No" to these questions, and so responses are not included in the results reported below.
3. Prior to the interview, customers were assured that the information obtained would be held in strict confidence. All customers interviews were conducted in person, though in some instances follow-up telephone calls were used to clarify responses.
4. In some cases the interviewee preferred to evaluate by the different type of service received from each department of an SOE, rather than of the SOE as a whole. In this instance the number of responses increased accordingly. Results were then analyzed based on the number of total responses, rather than the number of customers interviewed.
5. In certain cases the individual who had direct contact with the SOE was absent, therefore another individual associated with the customer completed the survey. When such "proxy" responses differed substantially from the responses of nearly all other interviewees, the outlying response was ranked as neutral so as not to unfairly skew other responses. This was done to preserve the integrity of responses.
6. In a small number of cases, interviewees could not provide a response for 2005, for example because the company was a new business.
7. To better compare the results of the customer satisfaction survey, responses were grouped as follows:
 - "Positive" responses corresponded to customer rankings of 5 and 4, per the above table; "Negative" responses corresponded to customer rankings 1 and 2; and,
 - "Neutral" responses corresponded to customer ranking 3.
8. During the interview:
 - Customers invariably claimed that it is the mandate of each SOE to ensure that all aspects of customers compliance with other governmental rules such as taxes, import duties, and immigration were rendered in an effective, transparent and accountable manner;
 - When asked, all customers invariably responded that they had not previously been interviewed for a similar survey; and,
 - Some customers expressed the desire to know the results of the survey.

2. SUMMARY OF SURVEY RESULTS

Major Concerns Expressed by the Customers at the Three SOEs

Customers of the three SOEs expressed two principal concerns during interviews and in responding to the customer survey questionnaire, namely (i) quality of service delivery that was independent of the SOEs, in that all the responses referred to the poor quality of service and the inadequacy of infrastructure; and, (ii) SOE-specific issues. The major points are listed below.

Customers of the SOEs overwhelmingly reported that the poor level of service delivery overshadowed any improvement that has occurred in financial management arrangements. Customers acknowledged the achievements of GEMAP, but cited the quality of service delivery as their main and primary preoccupation. In this area, GEMAP has not had any major impact. Customers were also of the opinion that accountability and transparency should be addressed at the organizational level and not merely confined to the finance department. In that regard, customers noted the overarching attitude of monopolistic and non-accountable behavior generally exhibited by the SOEs in relations with their customers.

I. SOE-Independent and Common Responses

- *State of facilities and equipment at the SOEs*

By far the most important preoccupation of most, if not all, customers was the generally poor quality of service. Most respondents felt that the underlying reason for the poor quality of service was lack of appropriate infrastructure and equipment. They indicated that they are not receiving value for money. However, customers reported a belief that the scale and magnitude of needed improvements are such that the entities themselves will be unable to improve on their own in the short-term.

- *Level of communication between the SOE and the customer,*

Customers complained about the poor level of communication between them and the SOEs. The type of complaints varied for each SOE. Customers of the LPRC maintained that pricing issues that were first discussed on March 1, 2008 had not been resolved by the date on the interview (March 21 to March 25). At the NPA, customers were dismayed by poor information concerning the closure of the port on Good Friday (March 21, 2008). Though customers acknowledged the lack of clarity on such issues on a country-wide basis, they considered inappropriate a notice delivered 30 minutes prior to closure on the eve of the holiday. Customers of the RIA sensed that that SOE had not involving them in the processes that impact them as primary users of the airport facilities, in particular with respect to improvements to the passenger checking counters.

Most customers, particularly foreign-owned or affiliated businesses, indicated that they possess a considerable amount of technical know-how that they could offer to help improve operations of these SOEs. They believed that their input will help result in more improved accountability and transparency and consequently reduce opportunities for corruption at various levels within the SOEs.

- *Proficiency of the staff involved in the operations*

This issue was less of an SOE-independent issue than the previously mentioned ones. Nonetheless, the customers interviewed maintained that there is a need for training of the staff involved in the operations. This was a particularly important issue as far as NPA customers were concerned. Though a number of survey respondents suggested that more training would be helpful, others felt that SOE employees have full knowledge of their responsibilities and how they should respond to customers. Unfortunately, these customers refrained from stating why the employees are generally non-responsive. Respondents indicated that downsizing has somewhat changed non-responsive attitudes, but were unsure if such changes would last.

II. SOE-Specific Responses

II.a Issues within the purview of the GEMAP

1. At NPA

Most customers maintained that they did not have a direct interface with the GEMAP Controller at the NPA, and considered that arrangement as a matter internal to the NPA. Customers felt that the overall impact of GEMAP to improve transparency and accountability at the NPA has been marginal, due to the prevailing monopolistic culture at the NPA, the manner in which it is staffed, and the political considerations that affect staffing. Specific accounting concerns were raised regarding issuing of credit notes to customers and accounting for pro-forma invoices. These are explained in detailed under NPA, responses to questions 23 and 24 in the report.

2. At LPRC

Most respondents confirmed that they have knowledge that there is a GEMAP Controller office at the LPRC. They felt that GEMAP has made the billing and payment processes more timely and streamlined. They did not, however, correlate that achievement to a more transparent and accountable environment and did not identify any issues with the lack of transparency and accountability per se. Customers generally felt that the billing and payment process was quite transparent. However, some customers indicated that the calculations for theft of oil from the tanks as well as for evaporations from the tanks were not made in a transparent manner.

3. At RIA

A number of respondents, while aware of the presence of GEMAP Controller at RIA, were somewhat circumspect about making any statements that bordered on issues of accountability and transparency. They readily acknowledged that they receive a bill and they pay that on a regular basis, either once or twice per month. They felt, in general, that GEMAP's presence has improved billing and in particular payment by check rather than cash.

II.b Issues not within the purview of the GEMAP**1. At NPA**

In general, NPA customers felt that the best case scenario for them is to accept the fact that they have to pay the charges that the NPA demands, but would prefer to manage the process, especially with respect to the delivery of the required services, on their own. Most customers indicated that they prefer to handle services delivery themselves. Evidently, none of the customers would admit that they may have to pay unofficial fees to ensure that they are left to themselves to manage the clearing process from the port. It was also unclear if managing the process themselves would allow them to avoid duties and charges that would otherwise be payable. Some small customers maintained that, as they have to pay for services which the NPA is supposed to perform, they incorporate the cost of those services in their calculations and pass those costs to their customers. Customers suggested they defend the practice when their prices are reviewed by the Ministry of Commerce.

Businesses owned by non-Liberian nationals seemed, in general, to prefer to contract-out stevedoring and handling services, as they felt that they could pass on these charges to the customers. It seems that the smallness of the market and the inevitable dependence on the port put these customers in a quasi-monopolistic situation and enable them to pass on their costs. This is especially the case when such services are "farmed out" and such charges can be included in the final cost of goods sold without being unduly challenged by the Ministry of Commerce.

2. At LPRC

A major concern specific to LPRC customers was the imposition of taxes and import levies by the government. In this regard, there seemed to be a difference in the manner in which collections are made. The companies owned by non-Liberian-nationals suggested that they are not awarded a more flexible schedule to pay these charges which are assessed and payable at the time the fuel is lifted from the tanks for sale. These respondents generally thought that this is in part due to the liberalization policy of the government to open the market to the locally-owned nationals. In contrast, local companies could negotiate additional time to pay the tax.

Nearly all LPRC customers reported that the cost of doing business and the charges by LPRC are quite high, particularly with respect to losses suffered as the result of inadequate infrastructure.

3 At RIA

RIA customers reported that there is a need for RIA to conform to international standards and practices on almost every operational aspect. Nearly all respondents believed that, as users of RIA services, the company should work with them to set up arrangements based on the best International models for communication.

2.A Summary of the Results of CUSTOMER SATISFACTION Survey

2.A.1 NPA
(Total No. of Customers Interviewed=Seven (7))

Overall, customer satisfaction has increased substantially since 2005. However, there is still room for further improvements.

Figures 1-3 below are graphical presentations of the results that are shown in detailed, tabular form below.

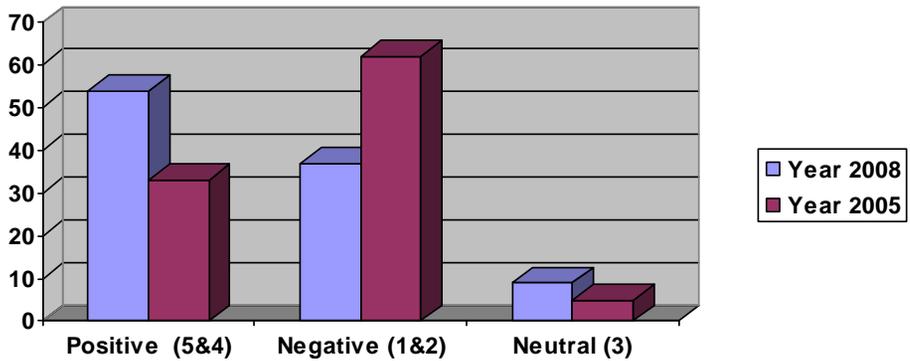


Figure A.1 - NPA - Percentages of customer responses to Satisfaction questions

2.A.2 LPRC

(Total No. of Customers Interviewed=Five (5))

Overall, customers are much more satisfied now than in 2005. The percentage of those neither satisfied nor dissatisfied has remained the same.

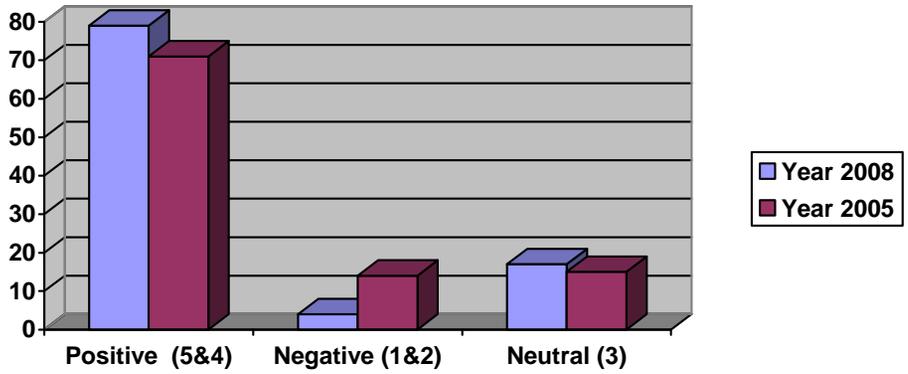


Figure A.2 – LPRC -Percentages of customer responses to Satisfaction and Likely questions

2.A.3 RIA

(Total No. of Customers Interviewed=Seven (7))

Dissatisfaction has remained high and the same since 2005. The percentage of those neither satisfied nor dissatisfied has also remained nearly the same.

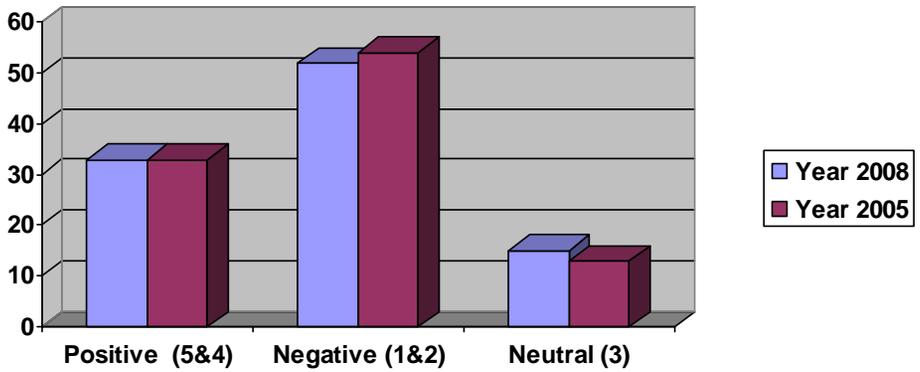


Figure A.3 – RIA-Percentages of Customer Responses to Satisfaction and Likely questions

2.B Summary of the Results of TRANSPARENCY AND ACCOUNTABILITY Survey

2.B.1 NPA

In general, the “Yes” responses represent an improvement in transparency and accountability. They are exactly equal to “No” answers, and stand at 46%. This suggests that customers have divergent opinions about improvements in accountability and transparency, and that NPA needs to address the areas of concern to further increase the transparency and accountability of its operations.

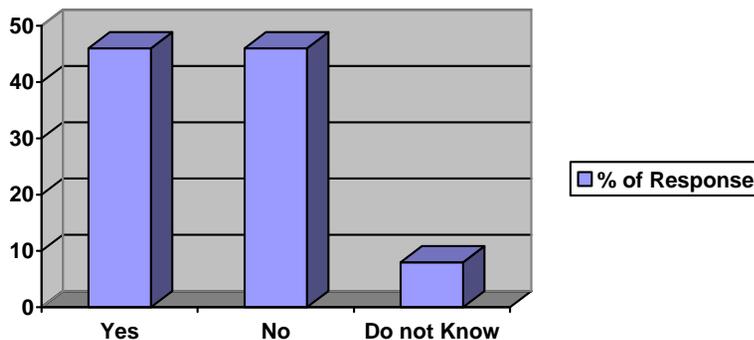


Figure B.1 – NPA-Percentages of Customer Responses to Accountability and Transparency questions

2.B.2 LPRC

The “Yes” answers represent just more than a quarter (27%) of all responses. There seems to be a need by the LPRC to take further measures to achieve transparency and accountability in a more meaningful manner.

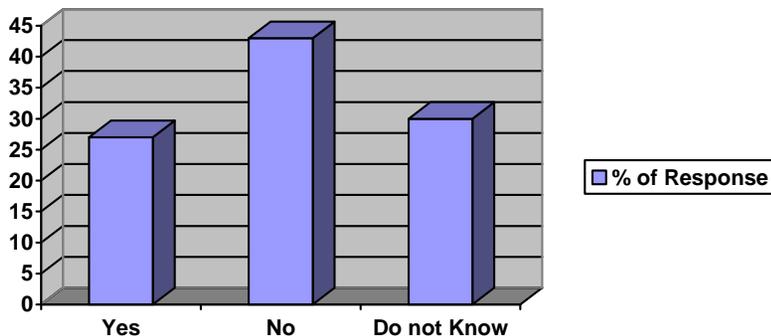


Figure B.2 – LPRC-Percentages of Customer Responses to Accountability and Transparency questions

2.B.3 RIA

The “Yes” responses represent a quarter (25%) of all responses. There remains a lot of ground for the RIA to cover in terms of transparency and accountability.

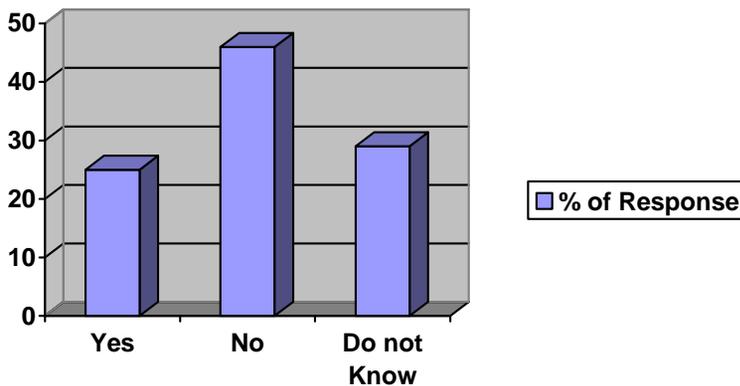


Figure B.3 – RIA-Percentages of Customer Responses to Accountability and Transparency questions

3. DETAILED SURVEY RESULTS
 3.A Detailed Results of CUSTOMER SATISFACTION Survey
 3.A.1 NPA -(Total No. of Customers Interviewed=Seven (7))

Q. No	Question (Q)	Total No. of Responses	No. of Responses shown as 2008(2005)			Customer Comments , and Conclusions
			Scales and Rankings			
			Positive (5&4)	Negative (1&2)	Neutral (3)	
I. GENERAL Questions						
<i>Considering everything how satisfied or dissatisfied are you with the:</i>						
1	Service you receive?	7	1 (1)	4 (5)	2 (1)	Overall, customers are still dissatisfied by a wide margin. Little has changed since 2005.
2	Value for money of the service?	7	0 (0)	6 (6)	1 (1)	
3	Time spent for each transaction?	7	2 (1)	5(5)	0 (1)	
II. INFORMATION AND COMMUNICATION Questions						
<i>How satisfied or dissatisfied are you with the:</i>						
4	Quality of information and correspondence you receive?	9	6 (3)	2(5)	1 (1)	Information and communication aspects have improved since 2005. However, the effectiveness of communication is still poor and has not changed much since 2005.
5	Quantity of information and correspondence you receive?	9	5 (3)	3(5)	1 (1)	
6	Clarity of information and correspondence you receive?	9	5 (3)	4(5)	0 (1)	
7	Effectiveness of your communications?	9	2 (2)	6(7)	1 (0)	
III. TIMELINESS Questions						
<i>How satisfied or dissatisfied are you with the time it takes to get through to staff,</i>						
8	On the telephone?	7	6(2)	1(4)	0 (1)	Satisfaction with timeliness has improved since 2005, though, some customers still remain dissatisfied. A majority are still dissatisfied with the service delivery capabilities of the NPA..
9	In person (public/face-to-face)?	7	4(3)	2(4)	1 (0)	
10	To respond to queries?	7	4(3)	2(3)	1 (1)	
11	Complete the service or deliver outcome?	7	2(1)	5(6)	0 (0)	
IV. STAFF AND CUSTOMER SERVICE Questions						
<i>How satisfied or dissatisfied are you with the:</i>						
12	Clarity of members of staff?	7	6(3)	1(4)	0 (0)	Satisfaction in interactions with the members of staff has substantially improved since 2005.
13	Politeness/courtesy of members of staff?	7	6(3)	1(4)	0 (0)	
14	Helpfulness of members of staff?	7	5(3)	1(4)	1 (0)	
15	Professionalism/efficiency of members of staff?	7	5(3)	1(4)	1 (0)	
16	Knowledge of members of staff?	7	5(3)	1(4)	1 (0)	

17	Interest that staff shows in you as an individual/treats you as a valued customer?	7	6(3)	1(4)	0 (0)	
18	Quality of advice you receive?	7	5(3)	2(4)	0 (0)	
19	Quality of the customer service?	7	4(2)	1(5)	2 (0)	
V. COMPLAINT RESOLUTION Questions						
<i>How satisfied or dissatisfied are you with the :</i>						
20	Way your complaint was handled?	7	1(1)	6(6)	0(0)	Customers remain quite dissatisfied with response to their complaints.
21	Speed with which your complaint was handled?	7	1(1)	5(6)	1(0)	
VI. USE OF TECHNOLOGY AND FUTURE USE Questions						
22	How likely or unlikely would you expect the volume of your activity will change over the next two years?	7	6(6)	1(1)	0(0)	Growth in general business activity is seen as the factor for change in volume.
Number of Responses		162	87 (53)	61(101)	14(8)	
Overall Response Rate Percentages %		100	54(33)	37(62)	9(5)	

Customer Comments

Question 23- What are the areas of customer service most important to you?

1. Finance Department Related Matters:
 - a-Introduction of a more effective method for reporting of advances received from the customers against pro-forma invoices. (This reporting is not currently done and the customers complain about lack of feedbacks in this regard.)
 - b-Transparent procedures are introduced for issuance of credit notes in instances where there is a verifiable evidence that the customers were wrongly billed for services. (Customers currently find it difficult to receive credit notes for excess billing.)
2. Handling of Cargo: (Currently, the equipment is totally inadequate and unsuitable.)
3. Input/data from the Operations: (Currently input/data received from the operations are sometimes unreliable.)
4. Pilot Operations: (Pilot is the first person to see the captain, in the absence of the customer. The pilot is in a privileged situation that can be abused to the detriment of the customer.)
5. Dredging of the Port and Docking Services: (This pertains to assurance of docking and departures of the vessels on time.)
6. Personnel Matters:
 - a- Customer service (currently there is a "monopolistic"(not-accountable) attitude amongst the staff),
 - b- Quality of the personnel, in general, and
 - c- There seems to be lack of prior and regular training and firm policies on hiring of staff,

Question 24- - How would you like to see them improved in future use, including from a use of technology perspective?

(Numbers below correspond to numbers above).

1. Finance Department related matters:
 - a- Introduction of a more effective method for reporting of advances received from the customers against pro-forma invoices;
 - b- Institution of more transparent procedures be introduced for issuance of credit notes to customers in instances where there is a verifiable evidence that the customers were wrongly billed for services;
2. Regular upgrading and maintenance of suitable and adequate equipment for handling of cargo;
3. Production of more reliable data from Operations;
4. Introduction of specific Code of Conduct for pilots and institution of disciplinary measures for unprofessional action;
5. Publication and maintenance of a regular schedule for dredging to result in a meaningful reduction in the demurrage costs;
6. a- Introduction of detailed job performance criteria and benchmarks: Employees should loose their jobs if they do not perform;
 Overhaul of certain previous practices, including removing staff that were brought in due to political considerations and do not have the required expertise or meet the customer service requirements;
 b- Institution of a comprehensive training program; and,
 c- Introduction of comprehensive policies on hiring and firing of staff.

3.A.2 LPRC -(Total No. of Customers Interviewed=Five (5))

Q. No	Question (Q)	No. of Responses shown as 2008(2005)			Customer Comments , and Conclusions
		Scales and Rankings			
		Positive (5&4)	Negative (1&2)	Neutral (3)	
I. GENERAL Questions					
<i>Considering everything how satisfied or dissatisfied are you with the:</i>					
1	Service you receive?	3 (2)	1 (1)	1 (2)	Overall, customers are more satisfied with the service. They report no change in value for money and time spent since 2005.
2	Value for money of the service?	3 (3)	0 (0)	2 (2)	
3	Time spent for each transaction?	3 (3)	1 (1)	1 (1)	
II. INFORMATION AND COMMUNICATION Questions					
<i>How satisfied or dissatisfied are you with the:</i>					
4	Quality of information and correspondence you receive?	5 (5)	0 (0)	0 (0)	All the customers are satisfied with information they receive from and communication with the LPRC all along.
5	Quantity of information and correspondence you receive?	5 (5)	0 (0)	0 (0)	
6	Clarity of information and correspondence you receive?	5 (5)	0 (0)	0 (0)	
7	Effectiveness of your communications?	5 (5)	0 (0)	0 (0)	
III. TIMELINESS Questions					
<i>How satisfied or dissatisfied are you with the time it takes to get through to staff.</i>					
8	On the telephone?	4 (4)	0 (0)	1(1)	Customers report a high level of satisfaction with timeliness issues. It has marginally improved since 2005. Some are dissatisfied with the service.
9	In person (public/face-to-face)?	4 (4)	0 (0)	1(1)	
10	To respond to queries?	4 (4)	0 (0)	1(1)	
11	Complete the service or deliver outcome?	4 (4)	1 (1)	0(0)	

IV. STAFF AND CUSTOMER SERVICE Questions

How satisfied or dissatisfied are you with the:

12	Clarity of members of staff?	4 (3)	0 (1)	1(1)	Satisfaction in interactions with the members of staff has increased since 2005. There is still some room for improvement in the quality of advice the customers receive.
13	Politeness/courtesy of members of staff?	4 (3)	0 (1)	1(1)	
14	Helpfulness of members of staff?	4 (3)	0 (1)	1(1)	
15	Professionalism/efficiency of members of staff?	4 (3)	0 (1)	1(1)	
16	Knowledge of members of staff?	4 (3)	0 (1)	1(1)	
17	Interest that staff shows in you as an individual/treats you as a valued customer?	4 (3)	0 (1)	1(1)	
18	Quality of advice you receive?	3 (2)	0 (1)	2(2)	
19	Quality of the customer service?	4 (3)	0 (1)	1(1)	

V. COMPLAINT RESOLUTION Questions

How satisfied or dissatisfied are you with the :

20	Way your complaint was handled?	4 (3)	1 (2)	0(0)	There remains some dissatisfaction with response to complaints.
21	Speed with which your complaint was handled?	4 (3)	1 (2)	0(0)	

VI. USE OF TECHNOLOGY AND FUTURE USE Questions

22	How likely or unlikely would you expect the volume of your activity will change over the next two years?	3 (5)	0 (0)	2(0)	Some customers are not sure how the government liberalization policy will affect their future business.
----	--	-------	-------	------	---

Number of Responses (Total 110)	87	5	18
	(78)	(15)	(17)
Overall Response Rate Percentages (100%)	79	4	17
	(71)	(14)	(15)

Customer Comments

Question 23- What are the areas of customer service most important to you?

7. Suitable and sufficient infrastructure (The infrastructure is obsolete, there is a need for better storage and docking facilities);
8. More effective communication and more responsiveness to the demands of the oil importers(There is a need for better communication);
9. Fast and more effective service (in particular for downloading from the vessels and lift-up of fuel sold);
10. More transparent and equitable allocation of evaporation and other losses (thefts of oil) to the inventory of customers fuel, and improvements in receiving credits against charges for these losses on a more timely basis;
11. Equal treatment afforded to all customers (equitable treatment in application of the laws and regulations on all fronts. for instance, with respect to maintaining strategic stocks, there should be no preference amongst the customers); and,
12. LPRC's support to ensure all government initiatives for liberalization of the oil market is more transparent and accountable.

Question 24- How would you like to see them improved in future use, including from a use of technology perspective?

(Numbers below correspond to numbers above).

1. Improvement and modernization of the current facilities (in particular, to ensure less losses through evaporation and theft),,
2. Institution of an arrangement as a conduit for more communication between the importers and the LPRC (e.g., to improve procedures for receiving credit on time for losses and thefts),
3. Development of human resources management and training policies,
4. Introduction of policies on calculation of losses and other charges and introduce transparent arrangements for the customers to verify the basis for such charges, and Improvements in receiving credit on time for losses and thefts
5. Initiation of a processes so that for more transparent procedures by all government entities(e.g., the MOF) are followed to ensure customers that the customers are all receiving equal treatments,
6. Communication of policies and criteria that support certain importers as part of the liberalization policy of the government.

3.A.3 RIA -(Total No. of Customers Interviewed=Seven (7))

Q. No	Question (Q)	Total No. of Responses 1	No. of Responses shown as 2008(2005)			Customer Comments , and Conclusions
			Scales and Rankings			
			Positive (5&4)	Negative (1&2)	Neutral (3)	
I. GENERAL Questions						
<i>Considering everything how satisfied or dissatisfied are you with the:</i>						
1	Service you receive?	8	1 (1)	4 (4)	3 (3)	Overall, customers are dissatisfied by a wide margin. There has been no major change since 2005.
2	Value for money of the service?	7	1 (1)	5 (6)	1 (0)	
3	Time spent for each transaction?	7	1 (1)	5 (6)	1 (0)	
II. INFORMATION AND COMMUNICATION Questions						
<i>How satisfied or dissatisfied are you with the:</i>						
4	Quality of information and correspondence you receive?	6	2 (2)	1 (1)	3 (3)	Satisfaction with information and communication aspects has remained the same since 2005, with most customers neither satisfied nor dissatisfied.
5	Quantity of information and correspondence you receive?	6	2 (2)	1 (1)	3 (3)	
6	Clarity of information and correspondence you receive?	6	2 (2)	1 (1)	3 (3)	
7	Effectiveness of your communications?	5	2 (2)	1 (1)	2 (2)	
III. TIMELINESS Questions						
<i>How satisfied or dissatisfied are you with the time it takes to get through to staff,</i>						
8	On the telephone?	6	3 (3)	2 (2)	1 (1)	Customers indicate moderate satisfaction with timeliness issues; satisfaction has marginally improved since 2005. A majority are still dissatisfied with the service.
9	In person (public/face-to-face)?	6	3 (3)	2 (2)	1 (1)	
10	To respond to queries?	6	3 (3)	3 (3)	0 (0)	
11	Complete the service or deliver outcome?	6	1 (1)	5 (5)	0 (0)	

IV. STAFF AND CUSTOMER SERVICE Questions

How satisfied or dissatisfied are you with the:

12	Clarity of members of staff?	6	2 (2)	4 (4)	0 (0)	Satisfaction in interactions with the members of staff has not improved since 2005, with the majority of customers still dissatisfied.
13	Politeness/courtesy of members of staff?	6	1 (1)	4 (4)	1 (1)	
14	Helpfulness of members of staff?	6	2 (2)	4 (4)	0 (0)	
15	Professionalism/efficiency of members of staff?	6	2 (2)	4 (4)	0 (0)	
16	Knowledge of members of staff?	6	2 (2)	4 (4)	0 (0)	
17	Interest that staff shows in you as an individual/treats you as a valued customer?	6	2 (2)	4 (4)	0 (0)	
18	Quality of advice you receive?	6	2 (2)	4 (4)	0 (0)	
19	Quality of the customer service?	6	2 (2)	4 (4)	0 (0)	

V. COMPLAINT RESOLUTION Questions

How satisfied or dissatisfied are you with the :

20	Way your complaint was handled?	5	1 (1)	4 (4)	0 (0)	Customers are still quite dissatisfied with handling and lack of timely responses to complaints.
21	Speed with which your complaint was handled?	5	1 (1)	4 (4)	0 (0)	

VI. USE OF TECHNOLOGY AND FUTURE USE Questions

22	How likely or unlikely would you expect the volume of your activity will change over the next two years?	7	6 (7)	0 (0)	1 (0)	Growth in overall travel activity is the likely s factor for change in volume.
Number of Responses		134	44 (45)	70 (72)	20(17)	
Overall Response Rate Percentages %		100	33 (33)	52 (54)	15 (13)	

Customer Comments

Question 23- What are the areas of customer service most important to you?

13. Suitable and sufficient infrastructure (The infrastructure is substantially inadequate and inappropriate, the level of service delivery is very poor, there is a need for a minimum suitable infrastructure and service delivery, in particular with respect to passenger services -- for instance, no lost and found services for baggage, insufficient checking desks and scanners, lack of sufficient electric power, road network, proper security, and fence, appropriate public toilets, etc);
14. Fast and more effective service by qualified and trained staff (in particular for check-in);
15. More effective communication and more responsiveness to the demands of the airlines. (There is a need for better communication between the airlines, as users of the airport, and RIA); and,
16. Equal treatment afforded to all customers. (Customers do not see a correspondence between payment for services and the services received from RIA. They consider that more transparency is needed for the basis of distribution of the limited check-in counters when the airlines outgoing flights overlap, larger airlines seem to get a preferential treatment, customers are billed but the required services are not rendered, and the airlines cannot rely on RIA to provide the required services but instead have use their own staff to do the required work.)

Question 24- - How would you like to see them improved in future use, including from a use of technology perspective?

(Numbers below correspond to numbers above)

7. A substantial restructuring program in close coordination with the airlines is put in place as soon as possible to meet the international standards on all aspects of the operations,
8. Develop human resources management and training policies especially in the area of passenger services,
9. Develop communication and substantially improve responsiveness to the customers: Establish committees base on internationally recommended models and best practices to allow the airlines with substantial international experience to bring that for the betterment of RIA and its customers, and
- Establish a separate passenger service function,
10. Institute a public relations department to, amongst other issues, explain the policy of RIA towards the airlines, for example, for the basis allocation of limited resources between the customers, in an equitable manner,
11. Establish a legal department to respond effectively to litigations, in particular, in cases that are beyond jurisdiction of Liberia.

3.B Results of TRANSPARENCY AND ACCOUNTABILITY Survey

3.B.1 NPA -(No. of Customers =Seven (7))

Q. No	Question (Q)	Yes	No	Do not Know	Customer Comments (Number in brackets in front of comments represent No. of respondents, actual customer quotes are shown in " " , where applicable) and Conclusions
25. a	- Do you feel that there has been a tangible improvement and/or changes in systems and procedures over the past three years (Y/N)?	3	3	1	(1) NPA is stricter in billings and collections (GEMAP effect), but no improvement in services.
25. b	- Do you believe service delivery in those areas is going in the right direction (Y/N)? - If Yes, have there been changes in systems and procedures and/or in the nature of your transactions with the SOE? - Please describe the changes you are aware of.	4	2	1	(4) GEMAP has improved the processes at the Finance Department. It makes sure you pay. Direct payment to the bank is a good idea. (1) No interface with GEMAP. (1) Payment by manger's check has added to more cost and inconvenience for small customers. (1) The systems and procedures have improved. However, the improvement is not fast enough.
26. a	- BEFORE these changes came into effect, did you ever hear of companies that interacted with this SOE needing to pay unofficial fees, give special gifts or services, or use personal connections to get the SOE services (Y/N)? If Yes, was there low/medium or high leakage of state revenues from the SOE? - Please describe your experience.	5	1	1	(2) Difficult to know that it is happening. False receipts and false deposit slips were going through the system. (2) It is happening, but it is difficult to know as a matter of fact. (1) Other government organizations at RIA may approach one where the passenger's situation may not be regular. (1) See also below, under 28 b, last point.
26. b	- SINCE these changes have been implemented, has the need for these unofficial practices been reduced (Y/N)? (Or, has there been less leakage of state revenues from the SOE)?	4	2	1	(2) It seemed to be too high, but now it is relatively low, because of GEMAP, in general.
27	- Do you feel that the regulations are applied equally to you and other customers (Y/N)? - If No, do you get a better or worse treatment, and for what reason? (e.g., payments in addition to offered fees as an inducement for more expeditious services?) Please describe your experience.	4	3	-	(1) "We have to incur additional costs only to get the job done, not an equal treatment of regulations in that regard". When responding to this question some customers believe that the regulations are not equitably applied as the burden of lack of equipment for certain types of imports (specially, bulk imports) impacts different customers

<p>28. - Have the costs for SOE services stayed the same (Yes), or No (if increased, did you get a justifiable explanation, please explain), since these changes have gone into effect, (Y/N)? a</p>	6	1	-	<p>differently, (1) It is costly altogether. The management is very top heavy. There is no need for such a Board of Directors. It only increases the cost of doing business. (2) Customers pay the NPA bills but the required services are not rendered. Rate of charges too high, especially for small customers. (2) Customers have to pass on the costs to their customers, and, have to also justify those costs to the Ministry of Commerce. It is hard on small importers. (2) Importers cannot rely on NPA to provide the required services, especially for perishable goods. (2) "We pay NPA, but we have also to pay extra costs to others to do the actual work for handling, etc." (1) In general, there has been an increase in cost of business with NPA. (Conclusion, when responding to this question, some customers look at the whole cost of imports, including duties, taxes, licenses, etc.)</p>
<p>28. In dealing with the SOE as a customer, has degree of difficulty pursuing official processes decreased (Y/N)? b</p>	-	7	-	<p>(3) NPA is not providing the services, has unsuitable infrastructure, and has rigid rules, as a result; "we have to incur additional costs, demurrage, storage, etc." (1) Application of new regulations, for example, goods have to be scanned by x-ray machines, but it is difficult to comply due to the inadequacy of the infrastructure. This also opens the door to payment of unofficial fees.</p>
<p>28. - Have there been any improvements in official processes (Y/N)? c - If No, please describe your ideas for improvements in official processes?</p>	-	7	-	<p>(1) Difficult to receive credit notes for unjustifiable charges, e.g., additional storage charges during raining season, as the customers are unable to move the goods due to unsuitable conditions at the storage park. (1) Difficulty in obtaining statements of account that correctly reflect payments made</p>

by the customer, as some payments have to be on the pro-forma invoice and these are not accounted for in a manner for the customer to see the total payment made to the NPA.
 (5) Involve customers in the process, for example, improving the "Access Pass" arrangements. Currently, the customer has a valid Access pass, but cannot have access to the NPA premises due to insufficiencies in implementation of the process. "Put the right people in the right places."
 Make the hours of service (after 6 pm) more flexible, especially where the goods are perishable, Improving staffing arrangements should reduce additional charges, for example, for demurrage, Improvement in response to customer complaints,

Total (56 possible responses)-NPA	26	26	4
As a % of all the responses	46	46	8

3. B. 2 LPRC -(No. of Customers interviewed=FIVE (5))

Q. No	Question	Yes	No	Do not Know	Customer Comments (Number in brackets in front of comments represent No. of respondents, where applicable) and Conclusions
25.a	- Do you feel that there has been a tangible improvement and/or changes in systems and procedures over the past three years (Y/N)?	1	3	1	(2) Certain changes have been made, but the effect is very limited, as they relate more to financial aspects and "we have always been paying our bills."
25.b	- Do you believe service delivery in those areas is going in the right direction (Y/N)? - If Yes, have there been changes in systems and procedures and/or in the nature of your transactions with the SOE? - Please describe the changes you are aware of.	1	-	4	(1) However, GEMAP role is currently very limited. (1) Credit calculations for loss of oil while in the tank have improved. However, it takes to credit the customer's account.

26.a	- BEFORE these changes came into effect, did you ever hear of companies that interacted with this SOE needing to pay unofficial fees, give special gifts or services, or use personal connections to get SOE services (Y/N)? If Yes, was there low/medium or high leakage of state revenues from the SOE? - Please describe your experience.	-	5	-	Conclusions: It seemed that customers were somewhat reluctant to respond to this type of questions asked in 26.a and 26.b.
26.b	- SINCE these changes have been implemented, has the need for these unofficial practices been reduced, (Y/N)? (Or, has there been less leakage of state revenues from the SOE)?	-	-	5	Conclusions, as above.
27	- Do you feel that the regulations are applied equally to you and other customers (Y/N)? - If No, do you get a better or worse treatment, and for what reason? (e.g., payments in addition to offered fees as an inducement for more expeditious services?) Please describe your experience.	3	1	1	(1)Small importers do not enjoy any exemptions. (1) When a customer losses on shipments, then it gets a credit for evaporation losses.
28.a	- Have the costs for SOE services stayed the same (Yes), or No (if increased, did you get a justifiable explanation, please explain), since these changes have gone into effect, (Y/N)?	5	-	-	(1)However, license fees are too high for small customers. (2) Evaporation losses were reduced, but LPRC did not provide the reason for the granting of credit.
28.b	In dealing with the SOE as a customer, has degree of difficulty pursuing official processes decreased (Y/N)?	-	5	2	(1) MOF is now present on location, hence less difficulty.
28.c	- Have there been any improvements in official processes, (Y/N)? - If No, please describe your ideas for improvements in official processes?	-	4	1	(1) LPRC should take the lead in addressing issues. (1)Better facilities to attract investors. (1) Letter of credit and banking facilities developed locally. (1) GEMAP plays a central role between the LPRC and the importers.
Total (40 possible responses)- LPRC		11	17	12	
As a % of all the responses		27	43	30	

3.B.3 RIA -(No. of Customers =Seven (7))

Q. No	Question	Yes	No	Do not know	Customer Comments (Number in brackets in front of comments represent No. of respondents, where applicable) and Conclusions
25.a	- Do you feel that there has been a tangible improvement and/or changes in systems and procedures over the past three years (Y/N)?	1	3	3	(1) It has not improved as RIA is asking airlines to put the exit tax on the ticket, instead of directly

				collecting it from the passengers. (3) No tangible results are seen with respect to services to customers.	
25.b	- Do you believe service delivery in those areas is going in the right direction (Y/N)? - If Yes, have there been changes in systems and procedures and/or in the nature of your transactions with the SOE? - Please describe changes you are aware of.	2	2	3	(1) The systems and procedures have improved. (1) Finance department is better organized. However, the improvement is slow.
26.a	- BEFORE these changes came into effect, did you ever hear of companies that interacted with this SOE needing to pay unofficial fees, give special gifts or services, or use personal connections to get SOE services (Y/N)? If Yes, was there low/medium or high leakage of state revenues from the SOE? - Please describe your experience.	2	5	-	(2) It is happening, but it is difficult to know as a matter of fact. (1) Other government organizations at RIA may approach one where the passenger's situation may not be regular.
26.b	- SINCE these changes have been implemented, has the need for these unofficial practices been reduced, (Y/N)? (Or has there been less leakage of state revenues) ?	-	2	5	(2) Do not feel that there has been a change in this regard.
27	- Do you feel that the regulations are applied equally to you and other customers (Y/N)? - If No, do you get a better or worse treatment, and for what reason? (e.g., payments in addition to offered fees as an inducement for more expeditious services?) Please describe your experience.	3	2	2	(1) Basis of distribution of the limited check-in counters when the airlines outgoing flights overlap is not transparent. Larger airlines seem to get a preferential treatment. (2) Customers are billed but the required services are not rendered.
28.a	- Have the costs for SOE services stayed the same (Yes), or No (if increased, did you get a justifiable explanation, please explain), since these changes have gone into effect, (Y/N)?	6	1	-	(1) Cannot rely on RIA to provide the required services, while RIA charges, the airlines pay and still have deploy their own resources to perform the required service. (1) Basis of charges increased 350% over a three year period without any susceptible change in the level of service.
28.b	In dealing with the SOE as a customer, has degree of difficulty pursuing official processes decreased, (Y/N)?	-	5	2	(1) Additional taxes/duties are approved by the government has added to the burden to comply with the official processes.
28.c	- Have there been any improvements in official processes, (Y/N)? - If No, please describe your ideas for improvements in official processes?	-	6	1	(1) Involve the airlines in the restructuring programs at RIA. (2) As users of the airport, they are well placed to advise RIA on how to improve the service. (1) RIA needs set up of a legal department to support it in litigations. (1) Better facilities to increase

travel through Monrovia.
(1) GEMAP's contribution has not had a significant impact on improving accountability and transparency.

Total (56 possible responses)-RIA	14	26	16
As a % of all the responses	25	46	29

**CUSTOMERS SELECTED FOR THE CUSTOMER SURVEY
TO BE CONDUCTED BY THE GEMAP EVALUATION TEAM**

1.	NPA		
	Name of Customer Meeting Location (Office Address)	Contact Nos.	Name of Contact
1	MAERSK Liberia Limited – City Builders Building, Bushrod Island	Mobile: 06 510 670	Mr Jonathan Wennah
2	SEATRANS – Buchanan & Front Streets, Monrovia	Mobile: 06 517 791	Ms Theresa Dogba
3	UMARCO – Clara Town, Bushrod Island	Mobile: 06 553 156	Mr Sebastin Collins
4	Monrovia Oil Trading Corp. – LPRC (PST)	Mobile: 06 510 092	Mr Papa Kamara ²²
5	CEMENCO – Somalia Drive	Mobile: 06 630 793	Mr Waito David
6	ENIGMA Shipping – Episcopal Bldg. Randall & Ashmun Streets	Mobile: 06 518 434	Mr David Gibson
7	Fouta Corporation – Via Town, Bushrod Island	Mobile: 06 511 394	Mr Omaru Barry
8	Trans Atlantic Shipping – Close to Bong Mines Bridge, West Africa Fisheries	Mobile: 06 511 524	Mr Tony Roberts

²² Not a regular NPA customer.

2. LPRC

	Name of Customer Meeting Location (Office Address)	Contact Nos.	Name of Contact
1	WEST OILS INVESTMENT COMPANY -LPRC,PST	06-575-777 06-519-000	Mr.Jamal Basma President/CEO Mr.Ali Kafel General Manager
2	ORIGIN OIL & GAS LTD -LPRC,PST	06-436-594; 04-728-292	Mr.Ferdinard Okwor Manager
3	MONROVIA TRADING COMPANY (M.O.T.C) -LPRC,PST	06-556-730 06-517550	Mr.Kris Leemans Chairman Mr.Charles Carron President
4	LIBERIA AFRIC -LPRC,PST	06-427-993; 07770-93266 06-535-032; 077-512-528 05-778899; 04-999-555	Mrs. Amy Clarke Vice President Dr. Charles A. Clarke,CEO
5	TOTAL LIBERIA -LPRC,PST	05 669 588	Mr Musa Gidel

3. RIA

	Name of Customer Meeting Location (Office Address)	Contact Nos.	Name of Contact
1	Brussels Airlines	077-320-777	Mr. Luc Manager
2	Royal Air Morroc	06-951-743	Mr. Najjar, Managing Director
3	Kenyan Airways	06-692-797	Clearance, Country Manager
4	Belview Airlines	06-553-928	Mike, Country Manager
5	SLOK International	06-691-623	Sani, Country Manager
6	Aero Contractor	06-888-338	Ben, Country Manager
7	DHL	06-517-457/518-443	Kenneth Anga GM