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# GOVERNANCE AND ECONOMIC MANAGEMENT ASSISTANCE PROGRAM (GEMAP) IBI ANNUAL REPORT TO USAID 2009



October 2009

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Front cover photograph: LPRC Process Mapping Workshop

# GOVERNANCE AND ECONOMIC MANAGEMENT ASSISTANCE PROGRAM (GEMAP)

IBI ANNUAL REPORT TO USAID 2009

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## ACRONYMS

DOB	Department of the Budget, Ministry of Finance
DFI	Development Finance Institution
EGSC	Economic Governance Steering Committee
FIMCAB	Financial Management Capacity Building Program
FDA	Forestry Development Authority
GSA	General Services Agency
GEMAP	Governance and Economic Management Assistance Program
TT	GEMAP Technical Team
GOL	Government of Liberia
IBI	IBI International
IMCC	Inter-Ministerial Concessions Commission
IMF	International Monetary Fund
IRFC	Internationally Recruited Financial Controller
LACC	Liberia Anti-Corruption Commission
LCIP	Liberia Community Infrastructure Program
LECAP	Liberia Expenditure Control and Accounting Program
LIBAM	Liberia Improved Budget and Assets Management Project
LPRC	Liberia Petroleum Refining Corporation
LIPA	Liberian Institute for Public Administration
MTEF	Medium Term Expenditure Framework
MCIMS	Mining Cadastre Information Management System
MOF	Ministry of Finance
MLME	Ministry of Lands, Mines and Energy
MPEA	Ministry of Planning and Economic Affairs
MPW	Ministry of Public Works
MCC	Monrovia City Corporation
NACS	National Anti-Corruption Strategy
NPA	National Port Authority
NTGL	National Transitional Government of Liberia
PRS	Poverty Reduction Strategy
PFMA	Public Financial Management Act
PPCA	Public Procurement and Concessions Act

RIA	Roberts International Airport
SOE	State Owned Enterprise
STTA	Short-Term Technical Assistance
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USG	United States Government

## I. INTRODUCTION

The Governance and Economic Management Assistance Program (GEMAP) is a partnership between the Government of Liberia (GOL) and the international community to promote accountability, responsibility and transparency in fiscal and financial management so that Liberia's resources will be used in the interests of its citizens. The Program is overseen by an Economic Governance Steering Committee (EGSC), co-chaired by the President of Liberia and the United States Ambassador to Liberia, and coordinated by a Technical Team (TT) composed of key government and donor counterparts.

USAID has supported a major portion of the overall GEMAP effort since 2006 through its implementing partner, IBI International under a project entitled the Liberia Improved Budget and Assets Management (LIBAM). For the purposes of this report, the phrase —USAID GEMAP” will refer to that portion of GEMAP that is funded by USAID. This annual report covers the 13-month period from October 2008 through October 2009.

GOL institutions that have received USAID assistance through GEMAP include the Ministry of Finance’s Department of the Budget (DOB); Ministry of Lands, Mines, and Energy (MLME); General Services Agency (GSA); Ministry of Planning and Economic Affairs (MPEA); Ministry of Public Works (MPW); Liberia Anti-Corruption Commission (LACC); Liberian Institute of Public Administration (LIPA); and state-owned-enterprises including Liberia Petroleum Refining Corporation (LPRC), National Port Authority (NPA), Roberts International Airport (RIA), Forestry Development Authority (FDA), and Monrovia City Corporation (MCC). These institutions are pivotal in generating, managing, and spending revenues in the interest of the Liberian people.

The major achievements of USAID GEMAP, and their consequent impact in reducing corruption and building institutional capacity for responsible financial management, are a result of the careful and methodical implementation of a model which takes its power from participatory planning and an institutionalized approach to solidifying government-donor partnership and collaboration. Through USAID GEMAP assistance, the national budget process has become faster and more accurate, and spending in line with laws and according to plan. A state-of-the-art concessioning framework for mineral deposits introduced measures to maximize sustainable contribution of mining to the national economy. The transfer of knowledge, technical skills, and negotiating



expertise to Liberian officials led to the successful negotiation of the \$2.6 billion Bong Mines—the largest concession in Liberian history. An analysis of fuel usage based on a detailed vehicle and generator inventory completed by the GSA resulted in potential savings of over \$9.3 million in the FY 2008-09 National Budget and \$6.5 million in the FY 2009-10 National Budget.

Revenues have nearly doubled since 2005 at RIA, the major gateway to Liberia. The institution is now close to full compliance with international aviation standards and more attractive to international airlines. In all of the USAID GEMAP supported state-owned enterprises, tighter controls over procurement and financial practices have saved the institutions millions of dollars. The co-signatory authority of all USAID GEMAP Financial Controllers was handed over to Liberian counterparts by October 30, 2009, on schedule, following a positive assessment of the institutions' capacity to manage their finances effectively and responsibly.

Going forward, the overarching theme for the final year of the project, through the end of September 2010, is capacity building, focusing on increasing efficiency, revenue generation, and cost savings for the GOL. The objective is to sustain and enhance the gains achieved under USAID GEMAP through continuation of rigorous human resource capacity building and regular monitoring. At the core of this objective will be the IBI Financial Management Capacity Building Program (FIMCAB), implemented with the Liberian Institute of Public Administration (LIPA), providing practical, hands on courses in financial management and information technology (IT) to public sector employees. At the request of GOL, USAID will provide assistance through IBI to the Ministry of Public Works (MPW) and the Monrovia City Corporation (MCC), as well as the Revenue and Expenditure Departments of the Ministry of Finance, in resolving chronic financial management problems that result in millions of dollars in losses. Assistance will continue at the MLME to complete the installation of an automated Mining Cadastre Information Management System (MCIMS), which will streamline mineral rights granting processes, avoid ownership conflicts, and increase revenues. The focus of continued USAID assistance at the GSA will be a comprehensive government fixed asset inventory and management exercise, designed to increase savings and reduce misuse. At the Ministry of Planning and Economic Affairs (MPEA), USAID will assist in the development of a National ICT Policy and Strategy, and an integrated growth study which will inform the GOL's development of the National Economic Growth Strategy for 2012-2027, the successor to the Poverty Reduction Strategy.

## II. BACKGROUND

The work described in this report is being implemented under a SEGIR Macro II<sup>1</sup> task order signed between IBI and USAID Liberia in April 2006. In August 2008, Government of Liberia (GOL) officials, international partners, and civil society representatives came together at a day-long retreat to discuss GEMAP progress, and to answer the question —“What it means to be done.” The objective was to develop a clear roadmap, an —“strategy”, based on concrete, measurable milestones and benchmarks. The completion of these benchmarks would flag substantive progress in the institution’s capacity to responsibly manage its finances, and would constitute the basis for the decision for the transfer of co-signatory authority on financial transactions from Internationally Recruited GEMAP Financial Controllers (IRFCs) to Liberian counterparts.

In September 2008, a contract modification to IBI’s task order significantly expanded the scope of USAID’s technical assistance to the GOL implemented through IBI. Prior to this task order modification, IBI had been providing advisors to the DOB, GSA, and MLME. A separate USAID implementing partner had been fielding IRFCs at four state owned enterprises (SOEs): the FDA, LPRC, NPA, and RIA. IBI assumed leadership for the implementation of GEMAP technical assistance activities at the SOEs in September 2008. Roadmaps for co-signatory authority handover at each GEMAP-supported SOE were developed in collaboration with GEMAP stakeholders, and incorporated into IBI work plans. At USAID GEMAP-supported institutions where the IBI advisors did not have co-signatory authority, work plans were developed around a similar approach of determining measurable and meaningful milestones that signal progress in building institutional capacity, with a view of phasing out GEMAP assistance.

—We present our compliments and wish to commend USAID and IBI for the level of contribution you have made to public financial management in Liberia. We are especially grateful for the efficiency that USAID and IBI’s intervention has brought to the budget process since 2006.”

*Minister of Finance, Republic of Liberia*

The work plans were developed using a participatory approach, with substantive input and feedback from GOL counterparts, GEMAP advisors, and GEMAP Technical Team (TT) members. It was envisioned that these work plans would become work plans for building the capacity of the institution as a whole in line with GEMAP objectives, rather than constituting merely work plans for technical assistance to be provided by the GEMAP advisors. As such, in determining milestones for co-signatory authority handover for instance, institutional realities

that had to be in place were considered, and those parties responsible for ensuring the achievement of those realities were clearly pointed out. In many cases, the completion of certain criteria was determined as being dependent on a number of factors that required direct GOL action, on which USAID GEMAP did not have direct influence.

IBI and USAID closely and diligently monitored progress against the milestones. In monthly meetings that brought together advisors and interested counterparts from institutions supported by USAID, the World Bank, UNDP, the European Union, and the IMF under GEMAP, cross-cutting themes and issues were discussed, and solutions proposed. In quarterly reports where delays were determined in progress towards certain milestones, remedial actions were taken. With close coordination among IBI, USAID, donors that contribute to GEMAP, and GOL counterparts,

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<sup>1</sup> Support for Economic Growth and Institutional Reform — SEGIR Macroeconomic Policy, Poverty Alleviation, and Economic Institutions and Analysis — Macro II is an Indefinite Quantity Contract designed to promote broad-based and sustainable growth through technical assistance, research and training. IBI has held this contract since 2004.

sufficient progress was recorded by the end of the reporting year to constitute technical justification for handing over co-signatory authority of the USAID GEMAP IRFCs to Liberian counterparts. Co-signatory authority of IRFCs, a unique feature of the original GEMAP Agreement signed in 2005 between the international partners and the National Transitional Government of Liberia (NTGL), was terminated on schedule at all five USAID GEMAP-supported institutions where co-signatory authority had been in place: DOB, FDA, RIA, LPRC, and NPA.

## **GEMAP: A MODEL FOR ECONOMIC GOVERNANCE IN POST-CONFLICT ENVIRONMENTS**

Three years of GEMAP experience have produced valuable impact and lessons. Liberia has been the setting for the birth and trial of a novel model for building economic governance in post-conflict environments.

Since its inception, GEMAP has been critiqued widely as a potential model for building the requisite infrastructure for good economic governance in a post-conflict environment characterized by inadequate controls over management of public revenues. Journalists have covered the model, its progress, and viability, and the program has an entry on Wikipedia. There has been one program-wide external evaluation, commissioned by all donors contributing to the program, and one internal USAID evaluation. Both evaluations took place before this reporting period. At the time of writing this report, another USAID evaluation was being planned, to take place in early 2010.

### **What has USAID GEMAP done?**

- Enhanced transparency and accountability
- Built institutional capacity and reform through instituting systems, tools, policies, and procedures
- Built human resource capacity through formal and on-the-job training
- Reduced corruption
- Increased revenue and decreased costs for the Government of Liberia

The major achievements of USAID GEMAP, and their consequent impact in reducing corruption and building institutional capacity for responsible financial management, are a result of the careful and methodical implementation of a model which takes its power from participatory planning and an institutionalized approach to solidifying government-donor partnership and collaboration. The major components of this model are outlined below.

### **Embed Senior Advisors in Institutions**

The USAID GEMAP Advisors have been at the forefront of reducing corruption and building capacity. All key USAID GEMAP Advisors are senior professionals with extensive global experience in their respective technical fields. In addition to their technical expertise, they possess the professionalism and tactful diplomacy necessary to directly interact with all levels of government, ranging from political leadership to technical and bureaucratic staff, and to gracefully manage the sensitive political nature of the GEMAP project without compromising quality and integrity. As such, the advisors have been instrumental in adapting international best practices to local realities, and building human capacity at all levels of government.

## Consider The Value of Co-signatory Authority

An interesting feature of the original GEMAP Agreement, signed between the NTGL and the international partners in 2005, was the granting of co-signatory authority on all financial transactions to internationally recruited financial controllers at key revenue generating government institutions. An emergency measure in itself, the co-signatory authority has proven extremely useful in averting detrimental spending at critical moments. It has also served well in enabling the advisors to quickly determine the key and most chronic failings of the institutions through regularly exposing the advisors to routine financial processes and paperwork.

## Enable Advisors Access to Board, Management

A key and distinctive characteristic of USAID GEMAP has been the ability of the advisors to access directly institutional leadership. The confidence and trust built through regular interactions between the advisors and the leadership of the institution has been instrumental in strengthening leadership in making critical policy decisions and exerting the influence necessary to undertake institutional reform.

## Establish Partnership Structure between Host Government and International Community



GEMAP Team of Advisors with IBI Chief Executive Officer, (center)

Perhaps the most impressive and extraordinary feature of the GEMAP arrangement was the establishment of a solid partnership structure between GOL and the international partners. The Economic Governance Steering Committee (EGSC), chaired by the President of Liberia and the U.S. Ambassador to Liberia, and composed of key representatives from the government and the international committee, constituted a high profile medium where pressing governance issues

could be discussed openly and regularly. The GEMAP Technical Team (TT), co-chaired by a GOL and US Embassy/USAID officer, and composed of key GOL counterparts and donors contributing to GEMAP, provided direction and oversight to technical progress through regular meetings. The priorities, issues, and work plans were developed and reviewed through these participatory mechanisms, enabling coordination, commitment, and buy in at highest levels of the political establishment.

## Assess Policies, Procedures, Laws, Regulations, Organizational Efficiency

In virtually all USAID GEMAP-supported institutions, advisors followed a similar approach of initially completing a thorough assessment to determine the quality of processes and regulatory frameworks in place. These assessments were completed with an eye on addressing the most salient and cross-cutting issues impeding regulatory consistency and operational efficiency across GOL.

## **Identify and Institute Operational Controls**

Identification and institution of operational controls followed these institutional assessments. The core of the advisors' work has been the design and implementation of systems and controls, and formal and on-the-job training to build staff capacity in the execution and monitoring of these systems.

## **Use IT to Enhance Processes and Transparency.**

Systematic introduction and usage of appropriate IT systems, including automated accounting, budget management, and mining license granting processes, have automated manual systems and brought regularity, consistency, and efficiency to processes, reduced opportunity for human error, closed major loopholes that created room for corrupt practices, and enabled accurate and effective monitoring.

## **Build Capacity and Professionalism through Interactions Between Advisors and Staff.**

The importance of daily interactions between the advisors and the institution staff cannot be overstated. It was through these interactions and through the advisors working every day from within the ministries, agencies, and state-owned enterprises they were assigned at that staff confidence and capacity was built. The professionalism and work ethic of the advisors have been frequently praised by Liberian counterparts as having been influential in adjusting their attitudes towards and the way they did their work. In all institutions at which IBI has worked, the IBI advisors' continued presence was requested to act as a mentor to staff and to monitor the implementation of the systems instituted.

The model, with its key components listed above, has produced significant institutional reform. Major achievements of USAID GEMAP, and their impact on reducing corruption and costs for the Government of Liberia, are described below in detail.

### III. ACHIEVEMENTS AND IMPACT

#### DEPARTMENT OF THE BUDGET, MINISTRY OF FINANCE

Three years of USAID GEMAP assistance to the DOB has made the budget process faster and more accurate, and has brought spending in line with laws and according to plan. Budget allocation time – the time needed to approve funding levels for each ministry/agency – has decreased from several weeks to a few days, and the allocation process is now more analytical, transparent, and is based on delivery of services to the people. Ministries receive funds faster, with allotment processing times – the time needed to disburse funds to ministries/agencies - reduced from weeks to a few days. Enhanced execution and monitoring guidelines in line with the Public Financial Management Act have reduced discretionary spending.

For the first time in recent memory, a National Budget was prepared through an automated system and submitted to the Legislature on time. The database system implemented with USAID GEMAP assistance internalized budget rules and the Chart of Accounts, minimizing the chances of human error. As a result of these improvements, the entire Draft National Budget Book for FY 2009-2010 was submitted to the President at her request within a few days, a process which took months to complete in the past.

This reporting period saw full automation of the National Budget preparation process through the implementation of the Liberia Expenditure Control and Accounting Program (LECAP). Full utilization of LECAP has cut National Budget data and information consolidation time from weeks to a few days, enabling fast, accurate analyses to inform allocation decisions. Public process has been followed where ministries and agencies commit their budget requests to the delivery of goods and services to the people. The Draft National Budget has been submitted to the Office of the President, on time, three years in a row now.

#### Application of the USAID GEMAP Model at DOB

—A friend in need is a friend in deed. USAID/IBI has been there from day one and provided remarkable GEMAP officials who have come with a spirit of partnership. We have collectively brought transparency to the Liberian budget process, to the extent now that we can boast that we have created budget experts across the country. A document that was once seen as sacred, only for people in the higher echelon of society, is now seen by even the market woman. That is a remarkable improvement in the Liberian democracy and is not only a commendation for government but is also a commendation for partners that have been there giving the necessary backstopping.”

**Minister of Finance, Republic of Liberia**

In November 2008, IBI and USAID revised the Terms of Reference (TOR) of the GEMAP Budget Advisor at the Bureau of the Budget. The revision was done in consultations with the GEMAP TT, and updated the TOR to reflect the role and responsibilities of the Advisor. In particular, the revised TOR emphasized the Advisor’s supervision of automation of budget procedures through the implementation of a comprehensive IT upgrade, developed by an IBI IT Assessment short-term technical assignment. IBI recommended a comprehensive approach to addressing this challenge, including short and long-term technical assistance and the procurement of computer hardware and software. IBI’s approach was submitted for review by

USAID's IT specialists in Washington as part of the ADS 548 process.<sup>2</sup> USAID granted approval without any significant changes.

In late 2008, the Bureau of the Budget was merged with the Ministry of Finance, and its name changed to Department of the Budget (DOB). IBI facilitated a series of meetings with the Ministry of Finance Change Management Team to ease this transition and discuss its implications for the DOB's core responsibilities and work plan. Steps were taken to ensure the compatibility of IT automation activities at the DOB and financial management automation activities at the Ministry of Finance.



Budget Management Workshop Graduates at the Department of the Budget (DOB)

2009 started with the IBI Budget Automation Expert at the DOB conducting intensive workshops for the DOB staff to enable them to effectively use the computerized budget request, consolidation, and execution systems that were being put in place. IBI started the procurement of hardware identified for the implementation of these systems.

In March 2009, the DOB IT section designed a data management mechanism at the start of the National Budget preparation process and held a Budget Guidelines Workshop for Controllers from all ministries and agencies. The automation project supported the budget hearings by providing analysis reports, and reduced the time taken to produce accurate, up-to-date budget

analyses from hours to a few minutes. This was the first time the DOB had used an automated system to generate reports to inform budget hearings.

The procurement process for the hardware and software for the automation and IT modernization activities at the DOB was completed in August 2009. A vendor was selected by IBI and approved by USAID to supply \$137,000 worth of IT equipment and software necessary for the complete integration of the Liberia Expenditure Control and Accounting Program (LECAP) into the DOB activities. Once installation is complete, National Budget consolidation and execution processes will be fully automated at the DOB, enabling the Ministry of Finance to budget, appropriate, and monitor spending more accurately, efficiently, and effectively.

The major IBI deliverable for quarter one at the DOB was the completion of draft budget guidelines. This was delayed by two months due to the need to ensure conformity with the Medium-Term Fiscal Framework, an MOF/Macro-Fiscal Unit initiative over which USAID GEMAP had no direct influence. The budget guidelines, and the related documents including the revised budget submission forms for ministries and agencies, were completed in January 2009.

Of the seven deliverables scheduled for completion on the DOB work plan in quarter two, three were fully completed, and two were 80-90% completed. The seven deliverables included outstanding deliverables from quarter one. Two of these deliverables, including the updating of budget guidelines to reflect new codes, classifications, and policy priorities, which had been

<sup>2</sup> Under USAID's Automated Directive Service 548 guidelines, projects whose implementation include the procurement of more than \$100,000 worth of IT-related equipment must submit their computerization plans to USAID in Washington for review by the Agency's IT specialists.

delayed due to the development of a Medium-Term Fiscal Framework by the MOF, were completed in quarter two.

The deliverable that has not been fully completed yet is the automation of budget execution processes, which has been delayed due to the balancing of appropriations and cash plans taking longer than expected. While DOB budget execution through the automated system will begin with the FY 2009-10 Budget, National Budget consolidation and analysis is currently being performed by DOB Budget Analysts using the automated system, a first in the history of Liberia.

The drafting of rules and regulations governing allotments, transfers, and regulations, originally scheduled for completion in quarter two, became dependent on the overall progress on the Public Financial Management (PFM) Act, which only passed from Legislature in late 2009. The drafting of these rules and regulations are now a part of the broader PFM Act adoption process and the drafting of the PFM Regulations supported by an IMF initiative.

The completion of the Draft National Budget, expected to take place in April 2009, was delayed for various reasons including delays in estimating projected revenue, informing ministries and agencies of final budget ceilings, and late submission of draft budget requests by some organizations. The Draft National Budget was nevertheless prepared through the automated system and submitted to the Legislature in May 2009. The automated system gave flexibility to customize quickly for analytical requirements. In addition, the Draft Budget Book tables were produced in two days once the data were entered into a database, a process which took months to complete in the past.

Inconsistencies in expenditure classifications observed in the FY 2008-09 Budget Book were resolved for the most part in the FY 2009-10 Draft Budget Book, except for the misclassification of certain domestic debt transactions involving the National Legislature, the National Elections Commission, and the Ministry of Finance. The USAID GEMAP Advisor at the DOB alerted the MOF officials and the GEMAP Technical Team of this consistent misclassification which seems to have started several years ago.

There was relatively loose adherence to budget preparation calendar guidelines that had been instituted this year. This was due in part to the GOL's decision to integrate SOEs more thoroughly in the budget preparation timetable. This year, contributing to tolerance of this environment were the absence of a budget director at the DOB and otherwise soft enforcement authority of the MOF without a PFM Act.

The two major milestones for termination of co-signatory authority by the September 30, 2009 deadline at the DOB had been identified in the DOB GEMAP work plan as the implementation of LECAP, and the identification of a counterpart who would assume co-signatory authority following the termination of the co-signatory authority of the USAID GEMAP Budget Advisor.

By quarter four, two of the three phases of LECAP implementation had been completed as scheduled. This indicates strong progress towards institutionalizing LECAP as the main instrument which would filter the majority of the human errors encountered in the allotments and transfers processes. The planned physical movement of the DOB offices into the MOF building represents a significant challenge as LECAP systems have already been instituted in at the DOB offices. The movement is likely to cause significant interruption in progress towards achieving full institutionalization of LECAP according to schedule.

A counterpart to take over co-signatory authority at the DOB has been identified, and received approval of the new Deputy Minister of Budget. The USAID GEMAP Advisor will work closely with the counterpart over the next few months, building capacity and evaluating performance. The

co-signatory authority of the USAID GEMAP Budget Advisor was transferred to his DOB counterpart on schedule on October 30, 2009.

### **Achievements and Impact at DOB**

- The budget was submitted to the Legislature on time for two years in a row, the first time this has been accomplished in recent memory. A budget preparation calendar was instituted for all budget organizations to follow and to meet deadlines.
- Detailed Budget Guidelines assist all budget organization in preparing their budget requests. The Guidelines include Budget Preparation Forms (BP Forms) which standardize responses. The BP Forms evolved from hard copies to electronic submissions, and now include asset information concerning vehicles, IT equipment, and generator inventories.
- Allocations no longer exceed appropriations because the amounts are continuously monitored by using standardized allocation forms and procedures.
- New regulations were passed eliminating discretion in allocation decisions and requiring notifications to the Legislature.
- Executive Orders to guide foreign and domestic travel expenses were issued. Forms and instructions to process all expense claims were designed and practice was put into operation.
- In budget hearings, ministries and agencies now justify their requests on the basis of the goods and services that will be delivered to the Liberian people.
- Improved budget preparation processes oblige all ministries and agencies to align their programs to the GOL growth and poverty reduction strategies, to clarify their own goals, to anticipate results and achievements, to cost budget requests appropriately, and to adhere their spending more closely to their planned budgets.
- Over 300 people from 40 line agencies and ministries were trained in standardized performance-based budget process systems. These trainings resulted in efficiency gains that significantly reduced the DOB's burden in assessing the budgets submitted.
- National Budget consolidation and analysis for the FY 2009-10 proposed budget was performed for the first time using the automated Liberia Expenditure Control and Accounting Program (LECAP) system, reducing the time taken to produce accurate, up-to-date budget analyses from days to a few hours.
- The Draft National Budget Book for FY 2009-10 was consolidated and produced using the automated system within three days, compared to the previous process which took up to one month.
- IBI procured and installed \$135,000 in IT equipment to support the National Budget automation process.

## OVERVIEW OF SYSTEMS INSTITUTED AND CAPACITY BUILDING INITIATIVES TAKEN AT DOB

System, Manual, Guideline Instituted	Capacity Building Initiative Taken	Number of Trainees
A Functional and an Economic Budget Classification in line with IMF GFS 2001 standards	Budget Preparation Workshops for ministries and agencies	300 (annual)
Objects of Expenditure Glossary and Chart	Budget Preparation review procedures workshops for ministries and agencies	180 (annual)
Budget Guidelines	In-house and on-the-job training on new budget forms	40
Allotment Procedures	Training on new Objects of Expenditure	40
Budget Transfers Law	Regular trainings on cash plan development	40
Automated Liberia Expenditure Control and Accounting Program (LECAP)	Introductory workshops on budget execution monitoring	40
Training Hand Book-Introduction to Hardware & Software	Internal Audit Training	7
	Basic and advanced IT skills Training	30
	Budget and financial analysts received Master's degrees	2
	Civil society participation in six counties	3 (annual)
	On-the-job training	60

## MINISTRY OF LANDS, MINES, AND ENERGY

USAID GEMAP assistance to the Ministry of Lands, Mines, and Energy (MLME) in this reporting period focused on regulatory reform and the development of a modern, state-of-the-art concessioning framework for mineral deposits. The new concessions framework introduced measures to maximize sustainable contributions of mining to the national economy. The framework replaces the old regime by introducing competitive auctioning of known deposits, rather than granting de facto production rights to exploration companies once the deposit is identified. The framework constitutes a novel achievement in comparison to mining regimes in different parts of the world.

Under the new concessions framework, an improved bid process was instituted to include such considerations as upfront payment to the government, tax rate, proposed production schedule, infrastructure investments, contribution to community development, and the quantification of technical and financial capability primarily through due diligence. Due diligence applied to the \$1.4 billion Western Cluster tender was instrumental in initiating a re-bid. The Bong Mines and Western Cluster deposits, negotiated with the new tendering process, are expected to contribute \$300 million in revenues and develop industrial linkages.

The IBI Mineral Concessions Expert (MCE) at the MLME took initiatives in collaboration with the Ministry of State and the Office of the President to institute a Memorandum of Understanding between the Government of Liberia and the International Development Corporation of South Africa to co-finance resource-based integrated development strategies designed around upcoming mineral concessions in the country. In conjunction with this initiative, IBI received a request from

the Executive Mansion to undertake a Spatial Development Study to identify potential linkages and development opportunities to leverage the investments that come in with the mineral concessions. The IBI MCE, an expert in the design of integrated growth corridors based on the minerals sector in the African context, completed the study in August 2009, using the upcoming Western Cluster iron ore concession as a case study.

In this reporting period, with assistance from USAID GEMAP legal experts, amendments were developed to harmonize Mining and Minerals Act (MMA) and the Petroleum Act with the Public Procurement and Concessions Act (PPCA). The harmonization will create a consistent and effective legal framework to manage concessions and attract more investors.

Also in this period, representation of Liberia at the International Mining Indaba conference in South Africa promoted Liberia's image at the world's largest and most prestigious investors gathering in this sector. USAID GEMAP sponsored and facilitated MLME's participation in this event in February 2009. Liberia was represented by the MLME Deputy Minister for Operations, MLME Chief Geologist, MLME GIS Expert, the USAID GEMAP Mineral Concessions Expert, and the USAID GEMAP Deputy Chief of Party. The Deputy Minister presented at a highly attended Ministerial Forum, and the Liberia booth at the exhibition generated significant interest among potential investors and mineral exploration companies.

Implementation of the Mining Cadastre Information Management System (MCIMS) was launched in this reporting period following a rigorous sub-contractor vetting process to select the best system provider. When completed, MCIMS will record boundaries, reduce fraud, and increase mining revenue. The automated system makes license granting and management processes more efficient and transparent by streamlining licensing processes, avoids ownership conflicts by clarifying boundaries, and increases mining revenue by tracking payments and enabling effective monitoring of exploration and mining contracts.

### **Application of the USAID GEMAP Model at MLME**

A highlight of USAID GEMAP assistance at the MLME at the beginning of this reporting period concerned the Western Cluster iron ore deposit concession, the largest investment that Liberia had seen to date. Assistance to the tender evaluation process for the Western Cluster iron deposits was instrumental in averting a potentially detrimental outcome. In accordance with international best practice, USAID GEMAP insisted on due diligence to be conducted on the four top bidders. USAID GEMAP-sponsored external due diligence performed by an internationally renowned audit firm discovered fundamental flaws in a bidder's financial capacity, and pointed to potential risks in the operational and financial capacity of the next best bidders. The IBI Mineral Concessions Expert advised the Ministry and the Presidency on alternatives going forward, which resulted in a thorough review of the bidding process and an Executive decision to re-tender the concession.

In the first quarter of the reporting period, the Bong Mines tender evaluation process was completed successfully. Bidders were evaluated based on the new evaluation matrix developed with USAID GEMAP assistance. The new evaluation process is based on quantifiable criteria, price discovery, and revenue systems. At the end of this process, the highest-ranked bidder was selected. The improved evaluation matrix will also be fully exercised for the Western Cluster tender, for which the Inter-Ministerial Concessions Commission (IMCC) has prepared and approved tender documents.

Quarter one also saw the legal resolution of several long-standing disputes over exploration licenses and mineral exploration agreements. In the case of Amlib and BHPB, new mineral development agreements are being negotiated. Review of other old agreements, and resolution of

## Development of an Artisanal and Small Scale Mining (ASM) Regime for Liberia



Artisanal Miners Processing Gold in Nimba County

ASM is an important sector in Liberia, and ASM activities are widespread in the country. It is estimated that there are more than 100,000 artisanal miners in Liberia (Liberia PRSP, 2008). The sector provides a livelihood to a sizeable proportion of the population. As there is no industrial scale mining currently happening in the country, all of the current mineral production is attributable to the ASM sector. The position of the GOL has been that the ASM sector, if properly regulated and supported, has the potential to provide a launching pad for the economic development of sustainable rural communities.

As in other Mano River Union countries the history of the sector, particularly diamond mining, is marred by association with conflict and war. Other challenges that the sector faces include illegal activities (there are only 300 licensed ASM operations), unsustainable operations, negative environmental and social impacts, and land use conflicts. In order to support GOL efforts in this area, IBI fielded an international expert for 49 days to develop an ASM Regime for Liberia, which seeks to address effective management of the sector through appropriate regulation; support of the sector through facilitation of access to mineral deposit information, technology, capital, capacity building, and market access; and organisation for advocacy and managing relationships with other stakeholders, including large-scale mining companies and farmers. The draft report, currently under review by Ministry counterparts, includes an ASM Regime for Liberia, an implementation plan, and proposed amendments to the Mining and Minerals Act to govern the ASM sector.

overlapping mineral exploration agreements and small-scale mining licenses, were delayed due to key staff changes at the MLME in this period.

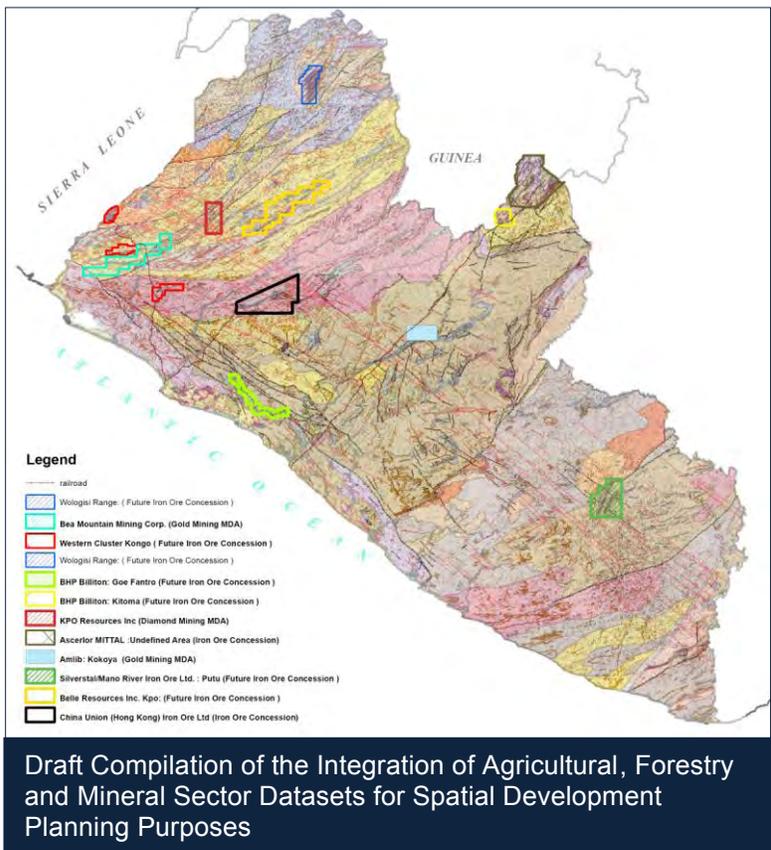
The development of new Class A exploration licenses is 90% complete, and awaiting the incorporation of amendments to the PPCA, which are pending. The review of new exploration license applications depends on the promulgation of the amendments to the PPCA. The development and review of Class A exploration license regulations are 90% complete following the public hearing period. Final draft is awaiting sign off by the Minister.

IBI fielded a short-term legal specialist whose report suggested ways to harmonize the Mining and Minerals Act and the Petroleum Act with the PPCA. Amendments recommended in this report were discussed at a workshop attended by the MLME and the PPCC. The workshop resulted in consensus on amendments to harmonize the PPCA and Mining and Minerals Act (MMA), which were completed as scheduled in quarter two, and are awaiting legislative action.

The construction of the MLME Cadastre Building was completed by the GSA, supervised by USAID GEMAP, on time and on budget. The construction was jointly funded by the MLME and USAID GEMAP. IBI's Change Management Advisor at the GSA supervised the GSA's construction of the building as part of IBI efforts to build capacity of the GSA in public building maintenance.

IBI assisted the MLME with conducting a series of national stakeholder workshops to discuss

the GOL's new mineral policy. Two of the scheduled three provincial stakeholder workshops were held in quarter one. The third workshop, in Zwedru, was held in February 2009. Mineral sector stakeholders across the country highlighted the issues that affect the mineral sector in these workshops and discussed recommendations for improvement. Key issues brought to the table were the lack of information especially on key policies and terminologies relevant to stakeholders and or community dwellers, poor information dissemination between line ministries that manage concessions, the lack of social benefits for communities from mining activities, the need to institute environment friendly measures to protect community dwellers from hazardous equipment and exploration/mining pits left behind by previous exploration/mining companies, the lack of efficient monitoring systems to safeguard against illegal mining activities, the issue of what to do with facilities left behind by previous exploration/mining companies, the need for a reduction in surface rental fees, the need for a land cadastre to avoid ownership conflicts between local or foreign miners/explorers, and the need for a proper mediation process between government and private land owners with regards to development of mineral deposits. The concerns raised and recommendations proposed highlight priority areas for improvements to the current draft National Mineral Policy and the relevant regulatory framework.



In quarter one, USAID GEMAP began for the first time to introduce spatial development concepts and Development Finance Institution (DFI) financing into the Mineral Development Agreement process. Meetings with DFIs were held in November 2008 to discuss the need to optimize the DFI role in valuing and maximizing economic impact from mineral concessions. USAID GEMAP encouraged stronger commitment to this concept from the MLME, which led into the commissioning of a spatial development study around the Western Cluster concession by USAID GEMAP, and interest from the Ministry of Planning and Economic Affairs in using spatial development methodology to inform the

development of the Liberia Economic Growth Strategy for 2012-2027, successor to the Poverty Reduction Strategy.

All of the deliverables scheduled for completion on the successful concessioning of the Western Cluster deposit were delayed in quarter two due to the extension of the bid submission deadline. After selection of a concessionaire, the Mineral Development Agreement for the Bong Mines Iron Ore concession was finalized in this quarter. The identification and configuration of economic linkages to maximize the developmental impact of this concession have not been provided for in

the MDA. GOL has adopted a decidedly more proactive position in ensuring the incorporation of well-identified developmental goals into the Western Cluster concession, initiating MOUs with development finance institutions and supporting USAID GEMAP's initiative to commission a study on integrated growth strategies based on the minerals sector in Liberia.

The Mining Cadastre Information Management System (MCIMS) implementation activity began in quarter three. MCIMS is expected bring efficiency into the mineral licensing process by regularizing and streamlining the procedures for applying, awarding, and monitoring exploration and mining licenses. As of the writing of this report, the first two of the four phases of this activity had been completed. The Cadastre Building, built with GSA supervision on the MLME compound with funding jointly provided by USAID GEMAP and MLME, is fully equipped with computer and mapping systems necessary to run MCIMS. The system has been designed and a prototype is operational. Staff from within the MLME have been identified to lead the MCIMS Department and are currently undergoing training to become system operators, application registrars, Geographic Information Systems (GIS) specialists, and system administrators. The Head of the Liberian Geological Survey is currently spearheading the MCIMS implementation activities on behalf of the MLME, and the recruitment for the Head of MCIMS is underway. In addition to system operations training, MLME staff is being trained in modern surveying techniques to ensure the registration of accurate geographic data into the system. The system is on schedule to be fully operational by early 2010, and further capacity building and systems monitoring will take place throughout 2010.

### **Achievements and Impact at MLME**

- All mineral development and exploration agreements signed under the National Transitional Government of Liberia (NTGL) were reviewed according to international standards.
- The \$1.3 billion Arcelor Mittal agreement was successfully renegotiated in line with industry standards.
- Due diligence applied to the \$1.4 billion Western Cluster tender was instrumental in initiating a re-bid.
- An improved bid process was instituted to provide advantages to the government such as upfront payment to the government, favorable tax rates, and requirements related to proposed production schedules, infrastructure investments, contributions to community development, and the quantification of technical and financial capability.
- The largest concession in Liberia's history, the \$2.6 billion Bong Mines concession, was successfully negotiated, assisted by an improved bid process.
- The Mining Cadastre Information Management System (MCIMS) is nearing completion, a crucial step in enhancing transparency, efficiency, and accuracy in mineral rights management.
- The estimated annual revenue stream of \$300 million expected at full production from the Bong Mines and Western Cluster concessions shows the biggest growth indicator among the sources that contribute to the government revenue base.

**OVERVIEW OF SYSTEMS INSTITUTED AND CAPACITY BUILDING INITIATIVES  
TAKEN AT MLME**

<b>System, Manual, Guideline Instituted</b>	<b>Capacity Building Initiative Taken</b>	<b>Number of Trainees</b>
Draft Mineral Policy	On-the-job capacity building in bid preparation, evaluation, and negotiation	6
Mineral Exploration License	Deputy Minister attended twice inter-ministerial study group & conference on African Mineral Regimes, hosted by AU in Addis Ababa	1
Mineral Exploration Regulations		
Model Mineral Development Agreement	Representation of Liberia at the 2008 International Mining Indaba and Investment Forum in South Africa	3
Bid Evaluation Matrices		
Amendments to harmonize PPCA and Mining and Minerals Act	Training for Chief Geologist and GIS Specialist in Mining Cadastre Information Management Systems in South Africa	1
Amendments to harmonize PPCA and Petroleum Act	Internal Audit Training	11
Petroleum Sector Code of Conduct	Training in Diamond Export Procedures	2
Amendments to harmonize National Energy Policy and NOCAL Law	Training in Diamond Valuation Methodology	2
Proposed amendments to Petroleum Act	Training in The 4Cs of Diamond – Carat or Weight	2
Petroleum Regulations	Training in The 4Cs of Diamond – Cut or Shape	2
Terms of Reference for Implementation of a Mining Cadastre Information Management System	Training in The 4Cs of Diamond – Color	2
	Training in The 4Cs of Diamond – Clarity or Quality	2
	Deputy Minister attended international conference in Leeds, UK on mineral policies	1
	Two Deputy Ministers attended IMF conference on Mineral Taxation Regimes in Washington, DC	2

## GENERAL SERVICES AGENCY

The highlight of USAID GEMAP assistance and accomplishment at the GSA in this reporting period was the completion of a detailed national inventory of the government's vehicles and generators. The analysis of fuel usage based on this inventory resulted in potential savings of over \$9.3 million in the FY 2008-09 National Budget and \$6.5 million in the FY 2009-10 National Budget. A proposal for the implementation of GOL-owned fuel stations was submitted to the Office of the President, identifying an additional \$12 million in savings if implemented.

Using this inventory as a basis, GSA started building an automated fixed asset management and tracking system. The system will record and track the purchase and use of all government-owned assets in the country, enabling property recovery and valuation, and reduced theft.

Also in this reporting period, USAID GEMAP finalized the construction of a state-of-the-art ICT Training Center for the GSA, which is now providing continuous GOL training in IT skills. With USAID GEMAP assistance, the Public Building Maintenance Department undertook the renovation of two significant government buildings: the MLME Cadastre Building, and customs border posts in Ganta. The renovation of Ganta border posts is a collaborative effort between USAID GEMAP and the USAID-funded Liberia Community Infrastructure Program (LCIP). The GSA team will work together with private sector contractors, a capacity building initiative to enable the GSA Public Building Maintenance Department to fulfill its mandate more professionally.

### Application of the USAID GEMAP Model at GSA



The major accomplishments of USAID GEMAP at GSA in quarter one were the completion of a major public building construction project (the MLME cadastre building) on time and on budget, and the completion of an analysis of GOL vehicle fleet and fuel consumption.

In quarter two, the GSA IT Training Center, built with USAID GEMAP funding and supervision, received several requests from different GOL ministries to provide basic IT skills and website management training for GOL personnel. Also, the IBI GSA Change Management Expert obtained final verification of the GOL vehicle fleet and completed the analysis of vehicle operating cost for the President of Liberia. The analysis, which was delivered to the President and presented to the Cabinet, produced valuable data that provides important insight into asset misuse by relating actual vehicle fuel consumption to the approved fuel budget by Ministry/Agency.

The implementation of the Automated Fixed Asset Management System (MaintStar), scheduled for completion in quarter two, was delayed due to challenges that the GSA faced in undertaking international procurement. The IBI GSA Change Management Expert, along with the GSA counterparts, negotiated with MaintStar and local vendors using contracting arrangements in line with the PPCA to find a positive way forward on this procurement.

Policy and ocedures manuals on Property Management and Fleet Management were drafted with USAID GEMAP assistance, and reviewed by the GSA management. The institution of generator logbooks in each Ministry and Agency to monitor generator use and efficiency, which requires regular data input and collection, was delayed significantly despite being scheduled for completion in quarter two. A survey of logbook use in this quarter determined that ministries and agencies are not in compliance, and that intensive additional training is required.

### **Achievements and Impact at GSA**

- Produced and analyzed GOL fleet and fuel usage data, resulting in immediate savings of over \$8 million in the FY 2008-09 National Budget. Based on instructions from the President, IBI developed a proposal to abandon the use of the coupon system for the purchase of vehicle and generator fuel and to implement GOL-owned fuel stations.
- Provided vocational employment for youth in the regular maintenance of GOL buildings, mobile equipment, and vehicles.
- Collected and evaluated GOL fixed asset data to facilitate proper planning in GOL institutions and the preparation of the National Budget.
- Completed a comprehensive GOL fixed asset management database on all vehicles and generators, an important step in enhancing accountability and improving the forecasting of repair and maintenance costs within GOL institutions.
- Obtaining GOL funds to procure additional computerized fixed asset management modules and critical IT hardware, which will enable the General Audit Commission to conduct an annual inventory of fixed assets, as required by law.
- Developed partnerships with the private sector, engaging —Best Practice” Liberian-based garages to train GSA automotive mechanics.
- Two major public building renovation projects, the GSA IT Center and the MLME Cadastre Building, were completed by the GSA Public Building Maintenance Department on time, on budget, and in accordance with internationally accepted construction standards.

**OVERVIEW OF SYSTEMS INSTITUTED AND CAPACITY BUILDING INITIATIVES TAKEN AT GSA**

System, Manual, Guideline Instituted	Capacity Building Initiative Taken	Number of Trainees
GSA Business Plan for the Calendar Years 2007 through 2009	Workshops explaining the GSA Business Plan	22
Analysis of the Composition and Utilization of the GOL-owned Vehicle Fleet at 31 December 2008 and Projected Actual GOL-Owned Vehicle Fuel Requirements for FY 2008-09	Workshops for Ministry/Agency Coordinators and County Coordinators in preparation for the Survey of GOL Generators and GOL Vehicles	31
Policy on Procurement of Used Vehicles	Internal Auditing Training Course	31
Policy and Procedures on Basic Fleet Management	Introduction to Microsoft MIS/IT Training Course	21
Policy on GOL Real Property	Intermediate Microsoft Excel and Access	24
Policy on GOL Property Management	Workshops for GOL institutions on Generator Maintenance	108
Policy on GOL Public Building Maintenance	Workshops for GOL institutions on GOL Policy for Used Vehicle Procurements	67
Policy Covering the Standards for Developing a GOL Website	Training on vehicle repair and maintenance and diagnostics at the GSA by Dokia Technical Training Institute	16
Policy Covering GOL Vehicle Standards, Procurement, Utilization, and Disposal	Training on used vehicle inspection and certification	16
Physical Inventory of GOL Generators	Workshops for GOL institutions on Generator Procurement	110
MaintStar Fixed Asset Management System User's Manual	On-the-job training of Public Building Maintenance technical staff during the construction of the GSA IT Lab and the MLME Cadastre Building	41
Internal Audit and Control-In-Service Training Course Materials:	On-the-job Training for Vehicle Mechanics at Reelin	30
<ul style="list-style-type: none"> <li>• Internal Control, Accounting for Cash, Inventory, Cost of Goods Sold and Depreciation</li> </ul>	Internal Auditing Training Course # 2 for SOEs and Public Corporations	40
<ul style="list-style-type: none"> <li>• Elements of Financial Statements and the Recording Process</li> </ul>		
<ul style="list-style-type: none"> <li>• Auditing, Attestation, and Assurance</li> </ul>		
<ul style="list-style-type: none"> <li>• Code of Ethics</li> </ul>		
<ul style="list-style-type: none"> <li>• Financial Reporting for Governmental and Not-for-Profit Entities</li> </ul>		
<ul style="list-style-type: none"> <li>• Principles of Accounting and Financial Reporting for State and Local Governments</li> </ul>		
<ul style="list-style-type: none"> <li>• Audits of Government Entities</li> </ul>		

## ROBERTS INTERNATIONAL AIRPORT

In 2005, the RIA was operating at a loss, had negative cash balance, lacked essential operational and safety equipment, and was far from compliant with international standards. USAID GEMAP technical assistance has positively impacted revenues that have nearly doubled since 2005. The institution now has a steady bank balance and is close to full compliance with international aviation standards.

An internationally recruited GEMAP Financial Controller had been posted at the RIA since 2006. IBI assumed leadership for the implementation of GEMAP technical assistance activities at the RIA in October 2008, taking over from the previous USAID contractor for GEMAP.

At RIA, IBI successfully applied its overall strategy for the state-owned enterprises (SOEs), focusing on registering concrete technical assistance progress by speeding up the documentation, institution, and testing of internal controls, the institution of automated accounting systems, and the building of staff capacity to sustain the systems instituted. The successful implementation of the RIA work plan based on this strategy allowed the airport to maintain a relatively good bank balance throughout the year, therefore being able to respond to urgently needed but very expensive development items while continuing to meet its recurring expenses such as monthly payroll. In the midst of pressing financial needs to execute several development projects to bring the airport in compliance with international standards, management was encouraged to adopt a “—prioritize and defer” strategy: the most critical projects were executed first and foremost given available financial resources, while important but less critical projects were deferred until funds became available. Strict adherence to the procurement procedures and the credit terms for both customers and vendors helped to improve and maintain financial discipline.

### Application of the USAID GEMAP Model at RIA

An internationally recruited GEMAP Financial Controller (IRFC) had been embedded into the RIA since May 2006. By nature of his TOR, which dated back to the original GEMAP Agreement between NTGL and international partners, the IRFC had been acting as the financial controller of the institution. IBI encouraged the continuance of the close working relationship that the IRFC had developed with the RIA management and staff, while emphasizing the importance of phasing out the day-to-day involvement of the IRFC in the institution’s financial operations, and building the capacity of the RIA staff to assume responsibility for the management of RIA finances.



RIA Human Resources Training Participants Outside Roberts International Airport

Taking concrete and definitive steps to transfer financial management responsibility to Liberian staff was at the core of IBI’s technical assistance efforts at the RIA in this period. This required stressing the building of a hands-off approach, transitioning the IRFC to a more advisory role and gradually transferring co-signatory authority to the RIA Finance Manager, while balancing this approach with the monitoring duties that the IRFC’s co-signatory authority implied.

The work plan developed in September 2008 incorporated a phased roadmap to achieve the ultimate goal of transferring financial management responsibility to Liberian counterparts. At its core was a well thought out plan with specific milestones and benchmarks as indicators paving the way to the termination of the IRFC's co-signatory authority, itself an indicator of institutional financial management capacity and responsibility.

The work plan, developed in collaboration with RIA counterparts, reflected desired outcomes that fall under the major objectives of GEMAP: good governance, sound financial management and accountability, and capacity building. Each of these objectives was matched with specific targets. The targets, concrete and specific items themselves, were further refined by a list of deliverables and benchmarks, the completion of which would indicate the achievement of the particular target.

By the end of the first quarter of implementation of the work plan, concrete steps had been taken towards the regular production of standardized monthly financial statements: the Chart of Accounts was revised, and restructuring of transaction processing and of books of original entries, general ledger, and financial statements was completed three months earlier than planned.

In the first quarter, an external audit was performed, and the recommendations were put into implementation. Based on reviews and recommendations, the Internal Auditor of the institution was terminated. The recruitment process to fill in this position led to delays in the institutionalization of an internal audit capability. The first step in the co-signature termination process, the Board's establishment of signatory authorities, was completed on schedule.

In the second quarter, RIA was impacted by an Executive Order dissolving SOE boards. Mr. Abraham Simmons resigned as General Manager and two successive acting managers were appointed. No Board was instituted following its dissolution by the President. The approval of the Draft Finance Manual by the Board, the development of a recruitment plan and performance criteria, and the implementation of recommendations of the external audit conducted in 2007, all scheduled for completion in this quarter, were delayed due to these management and organizational changes.

Also in this quarter, the US Ambassador to Liberia visited RIA and praised the work of the USAID GEMAP Advisor. The then Managing Director of the RIA also had much praise for the GEMAP Advisor. There was good and favorable press coverage.



USAID GEMAP Chief of Party Presenting Certificate to RIA Human Resource & Management Training Workshop Graduate

At this time of management transition for RIA, and as GEMAP shifted its focus to intensified capacity building in organizational efficiency to achieve cost savings for the government, IBI fielded an international Human Resources Expert for 30 days to develop a modern Human Resource Manual for RIA and to provide formal and on-the-job capacity building in human resource management. The expert also delivered a four week course to RIA managers in effective leadership and organizational management. The course was well attended and highly praised by RIA management, and widely covered by local media.

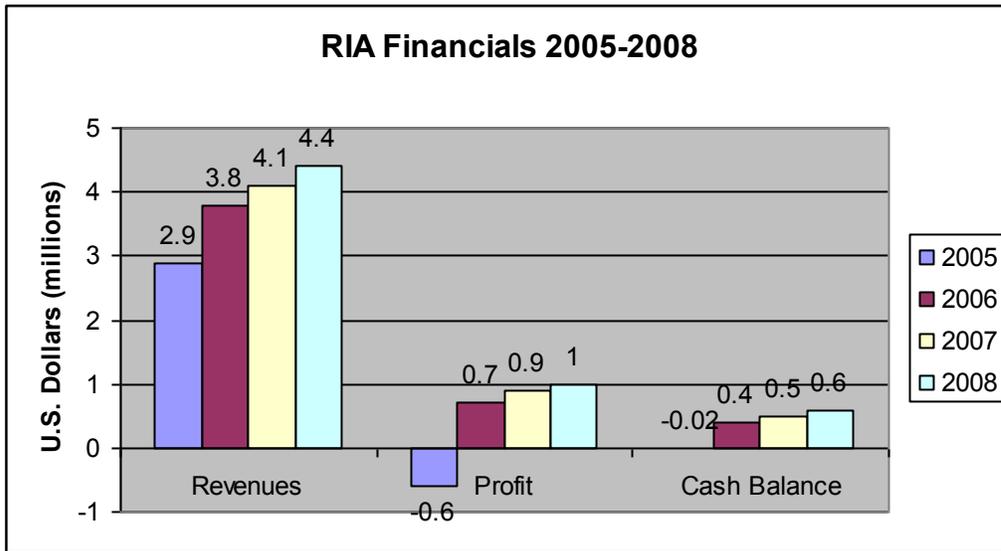
Having registered concrete progress against the milestones established together with counterparts, the co-signatory authority of the GEMAP Financial Controller was terminated as scheduled in the IBI work plan on September 30, 2009. This was an indication of the ability of the institution to manage its finances responsibly and effectively, and marked the achievements of the RIA and IBI staff in making this happen.

### USAID GEMAP Gets Secretary of State Clinton's Recognition

During her trip to Liberia in August 2009, Mrs. Clinton visited the RIA to pay tribute to USAID's contributions to reforming the institution through the activities of USAID GEMAP. Together with the USAID GEMAP Advisor at the RIA, Mrs. Clinton cut the ribbon for the airport safety and operational equipment at the RIA, procured with USAID funding. The IBI Advisor has been instrumental in determining the need for and overseeing the procurement and installation of the equipment in accordance with international best practice. The equipment will improve the airport's compliance with international aviation standards, therefore attracting more international carriers including those from the United States.

While not directly related to his role as financial controller for RIA, the IRFC also oversaw the procurement and installation of USAID-funded airport equipment for the RIA. The equipment, including rescue and firefighting equipment, power generating equipment, and ground handling equipment totaling 4.5 million US Dollars, will help the airport meet international standards, including USG Transportation Safety Administration standards, which will attract additional international airlines. The new equipment increases airline safety and improves grounds operation services, making RIA a better value for airlines. As the major international airport in Liberia, RIA is extremely important to economic growth and trade; these upgrades in airport equipment capacity will move Liberia forward by facilitating general passenger service, tourism and air cargo.

### Achievements and Impact at RIA



- Instituted tighter internal controls, including a Finance Manual and Airport Operations Manual, leading to improved revenue collection, procurement, and expenditure processes. Cash balance increased from regular overdrafts in 2005 to over \$0.6 million debit balance in 2008, and net income increased from over \$0.5 million net loss in 2005 to over \$0.9 million net profit in 2008.
- Produced quarterly financial statements between September 2006 and September 2008. Installed a new automated general ledger system to begin preparing monthly statements.

- Improvements in budget preparation processes significantly reduced budget approval time: 2009 budget was approved in December 2008; 2008 budget was approved in April 2008; 2007 budget was approved in July 2007.
- Produced quarterly budget performance report for all RIA operations between 2007 and October 2008.
- Led ad hoc project management groups to the timely completion of IT systems upgrade and terminal, staff housing, and installations renovation works, with remarkable improvements in airport operations, infrastructure, and customer service.
- Oversaw the procurement and installation of \$4.5 million in equipment to upgrade airport security and facilities infrastructure.

<b>OVERVIEW OF SYSTEMS INSTITUTED AND CAPACITY BUILDING INITIATIVES TAKEN AT RIA</b>		
<b>System, Manual, Guideline Instituted</b>	<b>Capacity Building Initiative Taken</b>	<b>Number of Trainees</b>
Finance Manual:	Internal Audit Training for Auditing and Accounting Staff	3
<ul style="list-style-type: none"> <li>• Organizational Description</li> <li>• Accounting Policies</li> <li>• Internal Controls</li> </ul>	Leadership and Organizational Management for Managers and Assistant Managers	26
Airport Operations Manual:	Leadership and Financial/Strategic Planning Workshops for Senior Managers	35
<ul style="list-style-type: none"> <li>• General and Administrative (Organization Structure; Wages, Salaries, Benefits; HR Policies)</li> <li>• Airport Safety and Security</li> <li>• Aerodrome Manual</li> <li>• Air Traffic Management</li> <li>• Airport Emergency Plan</li> <li>• Ground Handling Manual</li> <li>• Airport Facilities</li> </ul>	Training on Airport Operations Manual	35
	Training on Automated General Ledger	12
	On-the-job capacity building in Process Mapping, Internal Controls, and Accounting	32
	10 day PPCC training in Procurement for Senior Managers	28
SOE Internal Audit Manual:	Chief Accountant and Revenue Accountant sent for Master's degrees	2
<ul style="list-style-type: none"> <li>• Methodology and Audit Process</li> <li>• Audit Governance</li> <li>• Internal Audit Tools</li> <li>• International Standards</li> <li>• Knowledge Enrichment</li> <li>• COSO Guides</li> </ul>	LICPA Accounting Technician Course	2

## NATIONAL PORTS AUTHORITY

In the absence of executive leadership and management stability at the NPA throughout the majority of this reporting period, USAID GEMAP had to adopt a strategy at the NPA which focused on registering concrete and tangible progress in instituting systems and processes, and a large in-house training initiative that would enable NPA finances to be managed more efficiently and effectively. As the USAID GEMAP Team at the NPA focused primarily on strengthening the NPA's capacity to conduct due diligence of procurement activities in the first two quarters of this reporting period, the volume of problematic procurement activities

In June of 2009 a contract was developed with a local insurance company to provide health insurance to NPA employees. The contract payments were a flat monthly fee for a five year period. The fee was based on providing insurance to the current number of NPA staff. The upcoming concessioning of the Monrovia Freeport, however, will result in NPA staff levels being reduced by as much as 75% in the first or second year of the contract. Hence NPA would have been paying for far more employees than are actually on the payroll. The contract was revised to calculate each monthly payment based on the actual number of employees requiring coverage. Over the life of the contract the savings for NPA could be up to \$1 million.

decreased as documentation and due diligence systems were improved. The USAID GEMAP Team also focused on taking larger initiatives to concretize the efficiency of financial management by introducing, installing, and managing the transition to an automated accounting system at the NPA. The completion of the transition to the automated system was a major achievement, considering the volume of transactions that NPA had been processing manually. Equally important was the basis for other achievements of major milestones in the roadmap for the termination of GEMAP co-signatory authority, which was transferred to the NPA Finance Director as scheduled in October 2009.

### Application of the USAID GEMAP Model at NPA

An internationally recruited GEMAP financial controller had been posted at the NPA since 2006. IBI assumed leadership for the implementation of GEMAP technical assistance activities at the NPA in October 2008, taking over from a previous USAID contractor for GEMAP.

After careful consultations with NPA management and USAID, IBI fielded a new GEMAP NPA financial controller in November 2008. The new IRFC, assisted by an internationally recruited Accounting and Financial Reporting Manager, was briefed extensively regarding the institutional complexities of the NPA and the GEMAP structure, and was oriented by IBI on program priorities for the SOEs, in particular the documentation and installation of internal control systems, the establishment of an automated accounting system, and the development of a concrete roadmap for termination of GEMAP co-signatory authority. In the absence of tangible progress prior to IBI's involvement at the NPA in terms of instituting sustainable financial management systems, IBI's strategy for registering concrete and immediate progress emphasized a careful balance between the due diligence role of the IRFC as implied by his co-signatory authority, and installing the systems and procedures for the NPA to have the tools to manage its finances effectively and efficiently.

In quarter one, following internal audit training delivered by a short-term IBI expert, the internal audit department carried out a trial audit of the NPA procurement cycle. Draft procurement procedures were developed and staff were mentored on their implementation. In this quarter, the establishment by the Board of signatory authorities, one of the initial components of the co-signatory authority termination process, was delayed due to the Board being dissolved by an executive order.



Internal Audit Capacity Building Workshop for Auditors and Finance Staff from NPA, RIA, FDA, and LPRC

The USAID GEMAP team at NPA, composed of the IRFC, the Accounting and Financial Reporting Manager, two Liberian GEMAP Assistant Financial Controllers, and an Administrative Assistant, worked together with NPA local staff to develop a systematic approach to reviewing and improving NPA's key financial management processes that had large financial implications for the institution. An area of significant and direct impact for the many employees of NPA, and a major cost for NPA, payroll processing procedures were assessed by USAID GEMAP in quarter two. The

assessment identified inherent internal control weaknesses and documented recommendations which were incorporated in revised payroll procedures. In this quarter, based on GEMAP in depth analysis of the cost savings to NPA if the current ad hoc system of renting motor vehicles were to be scrapped, NPA management decided to solicit bids from registered and reputable vehicle rental companies. Also in quarter two, after reviewing a \$1 million equipment contract, USAID GEMAP helped to stop the NPA from entering into a flawed service contract with a vendor.

In the Second Quarter, there was considerable progress in the internal audit function at the NPA. Test plans were developed and implemented as scheduled, following the recommendations of the internal audit assessment and training conducted by GEMAP in quarter one. An assessment of the Procurement Department was conducted, and personnel were trained in Public Procurement and Concessions Act (PPCA) regulations. Operating procedures for revenue collection and Billing were put in place, as planned.

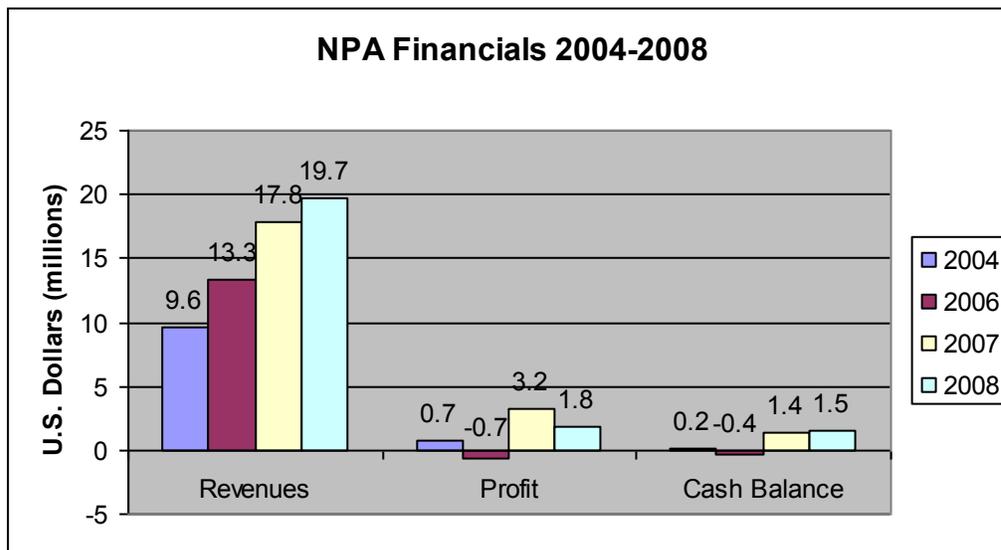
Although not foreseen in the work plan, the NPA and USAID GEMAP held a retreat with three objectives: delineate the roles of each; identify ways to work together; and determine practical and useful policies and procedures. This retreat was useful in leading the way toward better coordination between the USAID GEMAP Team at NPA, NPA management, and finance staff.

In quarter three, the GEMAP Team at the NPA saved the NPA thousands of dollars through due diligence of financial transactions and made significant progress in capacity building goals and transitioning out of the co-signatory role. The focus of the team's capacity building efforts was the implementation of the QuickBooks accounting software package and the re-engineering of the NPA's financial processes to support this and take advantage of the improved efficiencies and internal controls this system offers. The type of system to be purchased was determined based largely on the outcome of an USAID GEMAP short-term technical assignment which assessed the financial software/IT situation at all the GEMAP-supported SOEs. This assessment suggested QuickBooks was the best solution for the NPA given the institution's structure, the nature of its business, and volume of transactions. USAID GEMAP and NPA management agreed with the recommendations of this STTA and NPA purchased the software.

By the end of quarter three the system was installed on the network at the NPA and significant progress had been made in re-engineering NPA financial processes. Several Finance Department staff received formal training and several received on the job training. The chart of accounts, budget structure, opening balances, and 2009 budget figures were set up in the system.

It had been determined in the USAID GEMAP NPA work plan that the successful implementation of the QuickBooks automated accounting system would accomplish several of the milestones required to allow for GEMAP to relinquish co-signatory authority. With an automated system, NPA will be able to produce accurate and timely financial statements, effective internal controls will be incorporated into the system, the general ledger and financial system will be automated, and the auditing of the financial statements will be straightforward. The Management and Internal Controls department received extensive training and this accomplished another of the conditions required for co-signatory termination. Following the complete installation of the automated system throughout NPA's Finance Department, the co-signatory authority of the IRFC was terminated in October 2009 as scheduled, and the authority was transferred to the NPA Finance Director.

### Achievements and Impact at NPA



- The payroll process shifted from cash payments calculated by ad hoc spreadsheets to direct deposits calculated by specialized payroll software, ensuring efficiency and accuracy in payroll and reducing opportunities for corruption.
- The Finance Department produced financial statements for 2006 and for each of the first four months of 2007. After a gap due to institutional management changes and changes in the implementation course of USAID GEMAP upon IBI taking responsibility for program implementation in October 2008, an assessment was conducted to determine the most appropriate accounting package for NPA. Upon selection of QuickBooks as the most suitable way forward to automate accounting and financial reporting, implementation of and training on this accounting software package began in 2009. The IT infrastructure requirements for the effective implementation of the software were determined and implemented. Most of the NPA financial data have been entered into the system, and NPA is now planning to resume preparation of regular financial statements. Opening balances of January 1, 2009 have already been prepared.
- Significantly improved internal controls by increasing data integrity allowing reconciliation with external data, bank statements, and shipper's documents, and segregating duties and restricting access to functional areas in the QuickBooks software.

- Re-engineered business processes and workflows for all financial management and reporting functions, transaction processing, financial reporting, cash handling, accounts receivable, accounts payable, and budget control and reporting.
- Developed a revised organization structure for the NPA Finance Department to support the implementation of the more efficient business processes and QuickBooks.
- Developed an improved budget structure and budgeting process increasing accountability for NPA managers and improving transparency and NPA Board oversight ability.
- Assessed financial risks and designed and implemented controls in procurement, accounts payable, payroll, petty cash, revenue, and billing.
- Blocked improper contracts for procurement of tugboat that substantially failed to meet specifications and that was grossly overpriced.
- Exposed improprieties and lack of vendor capabilities on wreck removal and container movement contracts.
- Blocked a major employee insurance contract that would have resulted in NPA overpaying by as much as one million USD for employee insurance coverage over a five year period.
- To support port reform, conducted extensive training and developed procedures manuals on internal audit.
- Developed a roadmap for the organizational restructuring of the NPA Equipment Maintenance Department, identifying capital and human resource requirements.

#### OVERVIEW OF SYSTEMS INSTITUTED AND CAPACITY BUILDING INITIATIVES TAKEN AT NPA

System, Manual, Guideline Instituted	Capacity Building Initiative Taken	Number of Trainees
Internal Audit Manuals:	Internal Audit Training for Auditing and Accounting Staff	10
• Accounts payable		
• Petty cash	Training in Financial Management Software (Quickbooks)	40
• Procurement		
• Billing	On-the-job and formal training in Internal Controls	30
• Travel		
• Transparency and financial reporting	Training on Compliance of Procurement Procedures with PPCA	20
Improved Controls at the Exit Gate	Corporate Visitation Program Abroad for Procurement Manager	1
Policy of Delegation of Authority by the Board of Directors	Document Preparation and Processing (On-the-job training)	40
Allowances and Benefits Policy	Petty Cash (On-the-job training)	7
Generator Maintenance Program	Equipment Maintenance for the NPA	15
Charter and Agenda of the Audit Committee of the Board of Directors	Technical Maintenance Department (On-the-job training)	

**OVERVIEW OF SYSTEMS INSTITUTED AND CAPACITY BUILDING INITIATIVES TAKEN AT NPA**

System, Manual, Guideline Instituted	Capacity Building Initiative Taken	Number of Trainees
Financial Management Software (QuickBooks) Automated Payroll System SOE Internal Audit Manual: <ul style="list-style-type: none"> <li>• Methodology and Audit Process</li> <li>• Audit Governance</li> <li>• Internal Audit Tools</li> <li>• International Standards</li> <li>• Knowledge Enrichment</li> <li>• COSO Guides</li> </ul>		

**LIBERIA PETROLEUM REFINING CORPORATION**

With USAID GEMAP guidance and assistance, the period October 2008-2009 saw the creation of a stable and virus-free IT infrastructure as well as the installation of a fully operational automated accounting and reporting system, and a payroll management system at LPRC, key initiatives on which the company had fallen behind since the inception of GEMAP in 2006. Staff capacity was built not only in the automated software installed but also in process mapping, a fundamental step in documenting and instituting internal controls. An LPRC Director of Finance was hired after a rigorous search and the co-signatory authority of the GEMAP Financial Controller was transferred to the new finance director in October 2009, as scheduled in the USAID GEMAP LPRC work plan.

**Application of the USAID GEMAP Model at LPRC**

The US Ambassador to Liberia Hon. Linda Thomas-Greenfield visited LPRC in February 2009 and praised the management and GEMAP for outstanding contributions to transforming LPRC into an operational, revenue-generating institution following years of malaise. The visit was widely covered by local media, and USAID and GEMAP contribution to LPRC’s reform process was expressly acknowledged in the press.

An internationally recruited GEMAP financial controller had been posted at LPRC since 2006. Following the merger of USAID GEMAP technical assistance activities under the IBI contract in October 2008, IBI fielded a new IRFC at LPRC in November 2008, following extensive consultations with LPRC management and USAID. The new GEMAP Financial Controller reviewed and revised the LPRC GEMAP work plan in close collaboration with the Board of Directors, Managing Director and the financial management staff.

The work plan was developed in accordance with the consensus reached at the GEMAP Stakeholders Retreat of August 2008, which called for an exit strategy and roadmap for termination of the co-signatory authority of the GEMAP Financial Controller and the transfer of responsibility for the management of the institution’s finances to Liberian counterparts. In line with IBI’s overall technical assistance strategy for the SOEs, the USAID GEMAP Financial Controller, in consultation with her counterparts, developed a work plan with specific deliverables and benchmarks marking the institution, documentation, and testing of internal controls, the establishment of automated accounting systems, and the building of staff capacity through

intensive formal and on-the-job training. In LPRC's case, a major benchmark in the work plan was the recruitment of an LPRC Finance Manager, who would take over signatory authority from the GEMAP Financial Controller.

In quarter one of this reporting period, the Compensation Committee Charter was adopted, a first step towards the monetization of in-kind benefits. In quarter two, under the direction of the GEMAP Financial Controller's assistance, LPRC successfully closed its 2008 financial statements. The year-end report was prepared and presented to the Board. In an effort to enhance transparency and maximize buy-in, copies of the institutional budget were shared with all departments. The accounting, internal audit and management information systems departments went through a one-month intensive training program on QuickBooks. For 2009, a new chart of accounts was designed, the software re-implemented and transaction processing restructured. A payroll automation system was installed and tested, a major step in instituting systems to control expenditures. However, the vendor that installed the system could not resolve the glitches that occurred upon implementation, and a search for a new vendor started.

In February, LPRC completed year-end performance evaluation reports for all employees. The adoption of the Audit Charter was delayed due to the reconstitution of the LPRC Board. Establishment of a program to finance the LPRC rehabilitation program was completed and Ministry of Commerce approval was received. Implementation has stalled due to delays in the rehabilitation contract process.

In 2008, LPRC experienced ship-to-shore and tank losses of over \$1 million; 8% of storage revenues compared to a "tolerance" of 1 to 1.5%. The 2008 losses were more than double the 2007 losses. USAID GEMAP convinced LPRC management that the continuing trend of product losses were not completely attributable to the poor state of the installations. Based on discussions with importers, surveyors, and petroleum experts, certain weaknesses were noted, such as lack of knowledge to perform the proper calculations, to take proper samples or to use the lab equipment, and to properly measure the tanks. Improper control of the movement of people and vehicles including tanker trucks contributed to the losses

Further investigations showed extreme overnight drops—one of 10,203 gallons (5 full tankers) on January 15, 2009 and one of 23,165 gallons (11 full tankers) on February 3, 2009.

To address these issues, IBI fielded a short-term technical expert to build capacity in vessel unloading and tank measurement. The expert provided hands-on technical training in vessel discharging and tank measuring to selected LPRC operational staff and recommended product storage security improvements to reduce losses originating from lack of technical know-how and inadequacy of product storage controls.

Although not specified in the work plan, the GEMAP Advisor assisted LPRC in the contract negotiations for the rehabilitation and expansion of LPRC's facilities. This is a much needed initiative especially due to the insecurity of the existing structures.

In quarter three, with GEMAP assistance, negotiations were completed and a contract signed with a firm to renovate and rehabilitate the product storage terminal.

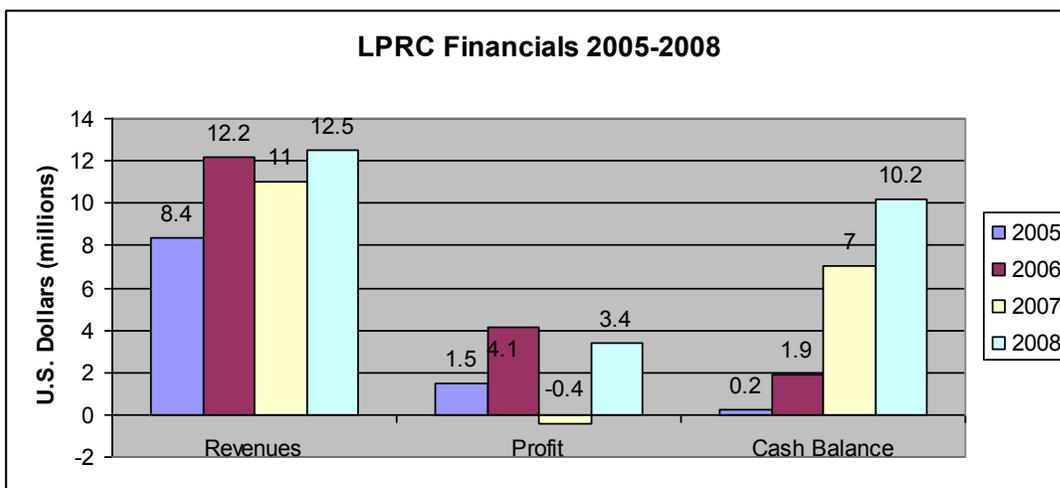
A key step in instituting appropriate and effective internal controls in an organization is the mapping of business processes to identify high risk areas. In quarter three, a select number of LPRC staff were trained in process mapping. These staff will then train other members of their departments. The participants were assigned one of several key LPRC business processes to map, including ship-to-shore, truck loading, and procurement. At the end of the course, each participant was evaluated; 8 out of 11 participants were successful.

A stable automated payroll software was installed and staff from the the accounting, personnel and management information systems departments were trained.

By the end of the fourth quarter, all major deliverables and benchmarks as outlined in the work plan were accomplished, with the exception of those deliverables leading to an effective oversight function of the Board of Directors. The reason for the delay in completing these deliverables was the dissolution of all SOE Boards by Executive Order earlier during the year. The delayed work on capacity building for the Board included the adoption of a charter for the Board’s audit committee; approved and signed by-laws for LPRC; establishment of nominating committee for Board members and adoption of charter; implementation of code of conduct; code of ethics and whistleblower policy; and Board mentoring. Shortly after the Board of Directors was reconstituted and the Ministry of State, with which IBI had been coordinating its SOE technical assistance initiatives, gave concurrence, IBI fielded a short-term legal advisor to work with SOE Boards and the Ministry of State to develop charters and by-laws, as needed, for the four GEMAP-assisted SOEs. The deliverables from this short-term assignment would then be used at other SOEs, guiding the GOL’s SOE reform initiatives.

Following a management change at LPRC in September 2009 and a positive review of USAID GEMAP work plan implementation progress, LPRC and IBI agreed to transfer the co-signatory authority of the GEMAP Financial Controller to the newly recruited LPRC Finance Manager on October 15, 2009.

### Achievements and Impact at LPRC



- In 2008, total revenues amounted to roughly \$13 million and the cash balance to \$10 million. Less than three years ago, the company depended on bank overdrafts to meet payroll.
- Contributed \$6 million to GOL budget between February 2008 and September 2009, \$1.8 million in taxes and \$4.2 million in dividends.
- Tendered and engaged a firm to renovate and rehabilitate tank farms, a much needed initiative especially due to the insecurity of the existing structures. Diligence in negotiations resulted in reducing the final project cost by \$5 million.
- Established a program to finance the LPRC rehabilitation program and received and Ministry of Commerce approval.
- Installed automated accounting and reporting software and trained staff.

- Produced regular financial statements between July 2006 and March 2008, when the automated accounting system crashed. Following adjustments, restarted the production of financial statements in December 2008.
- Successfully closed 2008 financial books.
- Designed a new chart of accounts and restructured transaction processing for 2009.
- Generated a budget for 2009 with input from all departments. Received approval by the Board and copies of the institutional budget were shared with all departments.
- Installed an automated payroll system, introducing direct deposits, regularizing staff payments and minimizing the opportunity for fraudulent dealings in payroll.
- Monetized all benefits for director-level staff and above, enhancing transparency and increasing the tax base.
- Introduced procurement procedures thoroughly compliant with PPCA and trained staff.
- Introduced a computerized contract management system increasing efficiency of contract monitoring operations.
- Assessed IT systems and infrastructure and implemented solutions to enhance IT security.
- Capacity building ongoing in vessel unloading and tank measurement processes to address tank losses amounting to \$1 million in 2008 and an estimated \$1.5 million if the trend continues.

#### OVERVIEW OF SYSTEMS INSTITUTED AND CAPACITY BUILDING INITIATIVES TAKEN AT LPRC

System, Manual, Guideline Instituted	Capacity Building Initiative Taken	Number of Trainees
Summary of Significant Accounting Policies	Internal Audit Training for Auditing and Accounting Staff	3
Donation and Charity Policy and Procedures	Training in automated general ledger (Quickbooks)	18
Personnel Manual	Training in Process Mapping to identify risks and design controls	11
Compensation Committee Charter	On-the-job and formal training in Internal Controls	5
Automated General Ledger (Quickbooks)	Training on Compliance of Procurement Procedures with PPCA	25
Automated Payroll System		
SOE Internal Audit Manual: <ul style="list-style-type: none"> <li>• Methodology and Audit Process</li> <li>• Audit Governance</li> <li>• Internal Audit Tools</li> <li>• International Standards</li> <li>• Knowledge Enrichment</li> <li>• COSO Guides</li> </ul>		

## FORESTRY DEVELOPMENT AUTHORITY

By the end of this reporting period, USAID GEMAP accomplished at FDA what the terms of reference set out to accomplish: financial management systems were instituted and staff were trained to enable the FDA to manage its financial resources effectively. USAID, GEMAP counterparts, and the FDA Board of Directors all attested to the ability of the institution to manage its finances responsibly and effectively. FDA became the first GEMAP-assisted institution where the co-signatory authority of the GEMAP Financial Controller was terminated on June 30, 2009.

### **Post-GEMAP Momentum at FDA Assessed as Vibrant and Promising**

Following the termination of GEMAP co-signatory authority, IBI has been asked by the GOL and USAID to regularly monitor the effectiveness of the financial management systems instituted at the GEMAP-supported SOEs. A preliminary assessment at the FDA three months after FDA's graduation from GEMAP reported sustained momentum by FDA staff in carrying forward the reforms GEMAP instituted. Following GEMAP graduation, the Finance Department was fully staffed, including hiring a Chief Accountant, an activity that had been delayed for a considerable time. The accounting software, installed and made functional by USAID GEMAP, is being updated to a newer version, and the institution has hired a professional firm to manage the transition to the higher version. FDA Finance Department has started attracting promising interns from Liberia's leading universities. The Department carefully monitors the procurement requests that come from the Procurement Department. Work on developing the FDA balance sheet is ongoing and a priority. The Finance Department has initiated decentralization of finances, instituting petty cash and fuel expense management systems across country offices.

Today, financial reporting at FDA is frequent, regular, timely, accurate, detailed, and analytical. Procedural controls have been instituted in all areas of financial operations—procurement, disbursements, payroll, asset acquisition and disposal, allocation of concessions, and billing and collections of timber revenues. The chain-of-custody contract is in operation. The internal audit function has been activated. With respect to the tone at the management level, significant advances have been made. The institution is led by a highly active Board of Directors. The Board regularly receives financial reports. The Board's financial committee has been strengthened by a revised and expanded charter.

Weaknesses remain, however, that deserve the close attention of the Board and management. The institution has shown a tolerance for irregularities concerning logging concessions. This tolerance threatens to create an environment that could undermine the effectiveness of internal controls, which in turn could put revenues and assets at risk.

### **Application of the USAID GEMAP Model at FDA**

At FDA, IBI emphasized the institutionalization of the gains that the institution had achieved in financial management since 2006 under the guidance of the IRFC. The work plan for this reporting period, developed in collaboration with counterparts, and with the transfer of financial management responsibility to the Liberian counterparts as its ultimate objective, laid out a roadmap with specific benchmarks marking the strength of the financial management systems designed, documented, and instituted.

Internal controls provide protection against error, waste, fraud and misallocation of assets. They are the foundation of sound financial performance. Good controls drive up revenues and drive down costs. In strengthening FDA's internal controls, IBI followed a systematic, well-tested approach. This is the Committee of Sponsoring Organizations (COSO) framework, the world's most respected internal controls approach. It is endorsed by the Institute of Internal Auditors, the

American Institute of Certified Public Accountants, and the Financial Executives Institute, among others, and used widely by the best businesses and leading accounting firms.

In accordance with the work plan, USAID GEMAP conducted risk assessments in each area of FDA activity: procurement, disbursements, payroll, asset acquisition and disposal, concessions billing and collection, and other revenues billing and collection. Risks were identified, and controls instituted and documented. In each area, USAID GEMAP produced detailed procedural manuals, setting out controls to mitigate each risk. Extensive formal and on-the-job training was conducted on the controls.

In the first quarter, the establishment of internal controls over disbursements, procurement, allotments, payroll, and fixed assets was completed. Establishment of safeguards over custody of records was also completed, and the 2008-2009 budget was successfully prepared. In an effort to build organizational human resource capacity, job descriptions for each position in the finance department were devised.

Continuing a practice initiated in early 2007, the finance group prepared monthly financial statements and presented them to management and the Board of Directors. Written procedures and controls to govern the preparation of financial statements were developed, and reconciliations of bank accounts and all balance sheet accounts were regularly performed.

The FDA received bids on four large logging concessions in the second quarter. The area represents about one-third of the forest that is suitable for logging. USAID GEMAP designed improved bid procedures to limit the exercise of discretion in awarding contracts and to accelerate bid review and contracting. While the procedures were soundly designed and were endorsed enthusiastically by the FDA, they were not followed in practice. The tender, bid evaluation, due diligence and bid award were in fact deeply flawed. USAID GEMAP also organized a public tender for an independent professional firm to conduct due diligence on the bidders. This represented an important step forward from earlier tenders, in which the USAID GEMAP financial controller led the due-diligence efforts in-house. The due diligence report, while performed by a company of international reputation, did not meet the requirements of the FDA or the law, and its findings appeared to have little impact on decision-makers.

The majority of the deliverables listed on the FDA work plan had been accomplished by the fourth quarter, including the establishment of internal controls over disbursements, procurement, allotments, payroll, and fixed assets. GEMAP had aspired to create a balance sheet. While much progress was made—including a complete enumeration of assets—valuations could not be

established due to the loss of records during the war. Lacking a balance sheet, the FDA is not able to obtain an opinion of an independent auditor.

In the fourth quarter, USAID GEMAP and FDA Board and management determined that FDA staff was fully capable of providing financial stewardship. The FDA was therefore ready to graduate from the GEMAP program. A formal ceremony was held at



USAID, FDA, and GOL counterparts at FDA graduation ceremony

the beginning of August to mark the graduation of FDA from GEMAP, with press present. Legislators, FDA management, FDA Board members, USAID Mission Director, and the GEMAP Co-chair made remarks marking the achievements of the FDA in financial management. The USAID Mission Director recommended that FDA employ more women. This suggestion was well received by the FDA Acting Managing Director (MD) of the FDA. The GEMAP model received praise from Government of Liberia counterparts for having instituted systems to ensure responsible management of public revenues, FDA a case in point. The Acting MD emphasized that the GEMAP Controller at the FDA had over the three years built a system of economic governance which promoted accountability, responsibility, and transparency. The speakers acknowledged the leadership of the FDA management, the FDA Finance Manager in particular, in working together with GEMAP to bring the institution to a point where full responsibility for managing the institution's finances could once again be owned by Liberian counterparts.

### **Achievements and Impact at FDA**

- Procedural controls have been instituted in all areas of financial operations—procurement, disbursements, payroll, asset acquisition and disposal, allocation of concessions, and billing and collections of timber revenues.
- Introduced procurement procedures consistent with PPCA and trained staff.
- Financial reporting is frequent, regular, timely, accurate, detailed, and analytical. Monthly reports have been generated each month since April 2007. They are shared with management and the Board and form the basis for recommended improvements in operations. The FDA's financial manager has been responsible for preparation for the past eight months.
- Installed automated general ledger and trained staff.
- Assessed risks in the design of the chain-of-custody program. Designed controls that were built into the contract with the vendor.
- Established protections against unqualified logging companies obtaining logging concessions.
- Detected irregularities in several proposed concessions that could have cost GOL several tens of millions of dollars.
- Conducted due diligence on logging companies; arranged outsourcing of due diligence to independent professional firm.
- Instituted direct deposit payroll, which allows all staff to be paid promptly. Before, when payments had to be made in remote areas, some payments were delayed as much as six months.
- Conducted extensive training and developed procedures manuals on internal audit.
- A first among the GEMAP-supported institutions, co-signatory authority of the GEMAP Financial Controller was terminated in May 2009 following a positive assessment of the institution's financial management capacity.

## OVERVIEW OF SYSTEMS INSTITUTED AND CAPACITY BUILDING INITIATIVES TAKEN AT FDA

System, Manual, Guideline Instituted	Capacity Building Initiative Taken	Number of Trainees
Internal Controls Manuals:	Internal Audit Training for Auditing and Accounting Staff	3
<ul style="list-style-type: none"> <li>Disbursements and Accounts Payable</li> </ul>	Training in automated general ledger (Pastel)	15
<ul style="list-style-type: none"> <li>Petty cash</li> </ul>	On-the-job and formal training in Internal Controls	15
<ul style="list-style-type: none"> <li>Procurement</li> </ul>	Training on Compliance of Procurement Procedures with PPCA	15
<ul style="list-style-type: none"> <li>Payroll</li> </ul>	Extensive on-the-job training in analysis of risk, design of controls, and drafting of test plans	75
<ul style="list-style-type: none"> <li>Pensioner Payments</li> </ul>		
<ul style="list-style-type: none"> <li>Handling of Cash</li> </ul>		
<ul style="list-style-type: none"> <li>Safekeeping of Records</li> </ul>		
<ul style="list-style-type: none"> <li>Financial Reporting &amp; Disclosure</li> </ul>		
<ul style="list-style-type: none"> <li>Fixed Assets: Acquisition and Disposal</li> </ul>		
Policy of Delegation of Authority by the Board of Directors (recommended; not yet approved)		
Charter and Agenda of the Audit Committee of the Board of Directors		
Automated General Ledger (Pastel)		
Procedures and controls on qualification of bidders and bid evaluation		
Terms of Reference for Outsourced Due Diligence		
SOE Internal Audit Manual:		
<ul style="list-style-type: none"> <li>Methodology and Audit Process</li> </ul>		
<ul style="list-style-type: none"> <li>Audit Governance</li> </ul>		
<ul style="list-style-type: none"> <li>Internal Audit Tools</li> </ul>		
<ul style="list-style-type: none"> <li>International Standards</li> </ul>		
<ul style="list-style-type: none"> <li>Knowledge Enrichment</li> </ul>		
<ul style="list-style-type: none"> <li>COSO Guides</li> </ul>		

### SHORT-TERM TECHNICAL ASSISTANCE

In the course of the reporting period, USAID GEMAP received requests for technical assistance and fielded short-term technical experts for a wide range of GOL institutions, including those where the project did not have a history of long-term program assistance.

#### Assessment of the Wologisi Iron Ore Deposit (MLME)

The concessions process in Liberia suffers from lack of scientific data and analytical skills to assess the potential value of the nation's mineral assets. The availability of accurate, up-to-date information on mineral assets is instrumental in realizing the true investment potential of mineral

assets, and in providing information and guidance to potential investors during the bidding process. The availability of information will strengthen the chances to attract qualified bidders. In response to this need, IBI fielded an international expert for 38 days to assess the economic value and viability of the Wologisi deposit, an estimated \$2-\$3 billion investment expected to be tendered in the coming year. The assessment took into consideration a number of factors including geological features, fiscal provisions, and comparative valuation information to other local and global projects of a similar nature. The resulting information is the first of its kind to be used as a basis to elicit Expressions of Interest for a formal tender request for a mineral deposit in Liberia.

### **Development of an Artisanal and Small Scale Mining (ASM) Regime for Liberia (MLME)**

ASM is an important sector in Liberia, and ASM activities are widespread in the country. It is estimated that there are more than 100,000 artisanal miners in Liberia (Liberia PRSP, 2008). The sector provides a livelihood to a sizeable proportion of the population. As there is no industrial scale mining currently happening in the country, all of the current mineral production is attributable to the ASM sector. The position of the GOL has been that the ASM sector, if properly regulated and supported, has the potential to provide a launching pad for the economic development of sustainable rural communities.

As in other Mano River Union countries the history of the sector, particularly diamond mining, is marred by association with conflict and war. Other challenges that the sector faces include illegal activities (there are only 300 licensed ASM operations), unsustainable operations, negative environmental and social impacts, and land use conflicts. In order to support GOL efforts in this area, IBI fielded an international expert for 49 days to develop an ASM Regime for Liberia, which seeks to address effective management of the sector through appropriate regulation; support of the sector through facilitation of access to mineral deposit information, technology, capital, capacity building, and market access; and organisation for advocacy and managing relationships with other stakeholders, including large-scale mining companies and farmers. The draft report, currently under review by Ministry counterparts, includes an ASM Regime for Liberia, an implementation plan, and proposed amendments to the Mining and Minerals Act to govern the ASM sector.

### **Development of a Strategic Work Plan for the Liberia Anti-Corruption Commission (LACC)**

In June 2006, the Government, in partnership with civil society, adopted a comprehensive National Anti-Corruption Policy, declaring corruption as “—public enemy number-one.” Shortly after, a National Anti-Corruption Strategy (NACS) was adopted. In accordance with this strategy, LACC was established, with the mandate to investigate and effectively prosecute all cases of corruption. As with most newly developed institutions in Liberia, the development of LACC has been hindered by lack of institutional, human, and financial capacity. In response to a request for technical assistance from this institution, IBI fielded an international anti-corruption expert for 15 days to assist the institution in adopting an appropriate functional framework and developing an operational plan. Technical assistance support during this period included efforts to develop consensus on 20 key institution building ideas and 15 high priority project ideas; draft LACC's first public brochure and first public awareness poster; and review a draft code of conduct, an income and asset disclosure form, and four internal documents including by-laws and internal code of ethics. The expert created buy-in from the General Audit Commission and National Bureau of Investigation for the creation of a NACS Steering Committee, as well as buy-in from key civil society organizations for collaborative programs, including the creation of a LACC/NGO legislative working group, and the development of corruption complaint resolution centers in targeted counties.

### **Process Mapping Training at the Liberia Petroleum Refining Corporation (LPRC)**

A key step in instituting appropriate and effective internal controls in an organization is the mapping of business processes to identify high risk areas. IBI fielded an international expert for 30 days to provide modern business process mapping training to a select number of LPRC staff, who will then train other members of their departments in process mapping. The participants were assigned one of several key LPRC business processes to map, including ship-to-shore, truck loading, and procurement. Each participant was evaluated at the end of the course..

### **Human Resource Management Training at Roberts International Airport (RIA)**

As GEMAP shifts its focus to intensified capacity building in organizational efficiency to achieve cost savings for the government, IBI fielded an international human resources expert for 30 days to develop a modern Human Resource Manual for RIA and to provide formal and on-the-job capacity building in human resource management. The expert also delivered a four week course to RIA managers in effective leadership and organizational management. The course was well attended and highly praised by RIA management, and widely covered by local media.

### **Vessel Offloading and Tank Measurement Capacity Building (LPRC)**

At LPRC, IBI fielded a short-term technical expert to build capacity in vessel unloading and tank measurement processes to address ship-to-shore and tank losses amounting to \$1 million in 2008 and an estimated \$1.5 million if the trend continues. The expert provided hands-on technical training in vessel discharging and tank measuring to selected LPRC operational staff and recommended product storage security improvements to reduce losses originating from lack of technical know-how and inadequacy of product storage facilities.

### **Government Payment Systems Improvement (MOF, Department of Expenditure and Debt Management)**

In response to a direct request from the Minister of Finance, IBI fielded a short-term expert to assess the Ministry's payroll and automated check writing systems. The MOF estimates significant and continuous savings can be achieved by assessing these systems and recommending solutions to properly manage the volume and nature of the transactions the MOF handles every month. The expert identified measures to address chronic losses in payroll procedures amounting to millions of dollars, and outlined the resource requirements for the implementation of these measures. USAID approved a four month STTA to be implemented in the project's final year to institute the recommended measures.

### **Revenue Reporting Systems Improvement (MOF, Department of Revenue and Tax Administration)**

In April 2009, IBI received a request from the MOF for technical assistance in instituting an interim solution for automated revenue reporting at the Department of Revenue. Considering the urgency of the request, IBI responded by making available its Budget Automation IT Expert assigned to the Department of Budget through amending his contract to add a sixth day to his workweek. Improvement in revenue reporting systems will have a high impact on the National Budget execution process. As Liberia currently operates on a cash budget, streamlined through monthly cash plans and where revenue shortfalls are common, the high frequency of revenue reports increases the ability of the government to plan and project its spending accurately.

## **State-Owned Enterprises Board Legal Reform**

In coordination with the Office of the Minister of State for Finance, Economic and Legal Affairs, USAID GEMAP conducted seminars on the legal framework of SOEs in October 2009. The seminars were the first of a two-part series of seminars aimed at providing legal and technical assistance to SOE board members, and part of a sweeping SOE reform initiative that includes the reconstitution of SOE boards. The workshops were led by an IBI Corporate Legal Expert, who concentrated his training on the functional roles of the SOE boards, including working groups focusing on the Audit Committee, the Compensation Committee, and the Corporate Governance and Ethics Committee. The purpose of the seminars was to assist newly reconstituted boards, and first-time board members, to better understand the legal framework that the SOEs operate under. These seminars will be followed by a second series in the project's final year designed to provide practical training to SOE board members in generic elements of board charters and by-laws, and board rules and regulations.

## **IV. LESSONS LEARNED**

USAID GEMAP is transitioning from building financial management capacity through assigning IRFCs with binding co-signatory authority, responsible for all financial transactions and formal and on-the-job training at selected government institutions, to transferring financial management responsibility to Liberian counterparts and institutionalizing and enhancing the gains achieved by further emphasizing human resource capacity building. In October 2009, IBI made a presentation to the U.S. Ambassador, USAID Mission Director, and GOL counterparts, highlighting the most salient achievements of USAID GEMAP, outlining lessons learned, and sketching the way forward. Key lessons learned in the course of the USAID GEMAP implementation experience are summarized below.

### **INCORPORATE IT INTO THE MODEL**

Information Technology readily provides effective and inexpensive solutions to increasing efficiency and reducing corruption. In an environment like that of Liberia which lacks basic IT infrastructure and human capacity, the marginal effect of even the simplest IT intervention becomes significant. While in the early stages of GEMAP implementation Liberia lacked the requisite enabling environment for a comprehensive ICT strategy, smaller interventions could have been planned out from the very beginning to include basic IT skills development, and simple solutions to computerize and gradually automate basic processes. A very preliminary agreement on IT hardware and software standards, and the development of a comprehensive plan for the role of IT in development, would have enabled better economies of scale and cost savings.

### **LINK KEY INSTITUTIONS IN EARLY STAGES**

Government is a multi-faceted machine that depends on seamless flow of information, feedback, and coherence among its operating units. For instance, the Ministry of Finance, the Central Bank, and the Civil Service Agency depend on each other to enable timely and accurate payment of government salaries. Institutional dependencies could have been outlined better from the very beginning, allowing the design of technical assistance initiatives to have a more holistic impact on strengthening a number of key government functions across different government institutions.

### **IDENTIFY REFORM-MINDED, WILLING CLIENTS**

Three years of USAID GEMAP experience has shown that technical assistance has produced the largest impact in institutions where leadership has been openly cooperative and supportive of the GEMAP objectives and technical assistance efforts. In institutions where the tone at the top has been critical and unsupportive of GEMAP, IBI has noted challenges with regard to the sustainability of the systems instituted and the gains achieved following the termination of IRFC co-signatory authority.

### **ANTICIPATE HIGH TURNOVER OF INSTITUTIONAL LEADERSHIP AS A CHALLENGE TO SUSTAINABILITY**

The nature of GEMAP technical assistance has placed emphasis on building top-level counterpart capacity through day-to-day interactions between the institution's leadership and GEMAP advisors. High turnover of institutional leadership dilutes the capacity and the delicate institutional memory built with technical assistance, and poses considerable challenge to the effectiveness and the sustainability of the systems and policies instituted.

## **CONSIDER THAT CIVIL SERVICE REFORM IS REQUIRED TO RETAIN COUNTERPARTS**

International partners and the GOL, primarily through the Civil Service Agency, itself an agency receiving GEMAP support from the European Commission, have been working towards comprehensive civil service reform, with the primary objective being realigning civil service salaries and incentive structures to attract and retain qualified staff in civil service. The GOL needs to implement civil service reform in order to retain key staff that have benefited from GEMAP and to lure back others from the diaspora.

## **CREATE AWARENESS AND BUY-IN THROUGH PUBLIC RELATIONS AND OUTREACH**

A significant failing of the GEMAP arrangement has been lack of a strong and coherent public relations and outreach component incorporated into the program. The objectives, operations, and impact of the program have not been widely disseminated across the government of Liberia and the Liberian population at large. Lack of outreach has often resulted in misunderstandings in program scope, mandate, and impact, receiving undue and misinformed criticism from government and other stakeholders, which GEMAP participants, especially the U.S. Embassy and USAID, had to frequently respond to.

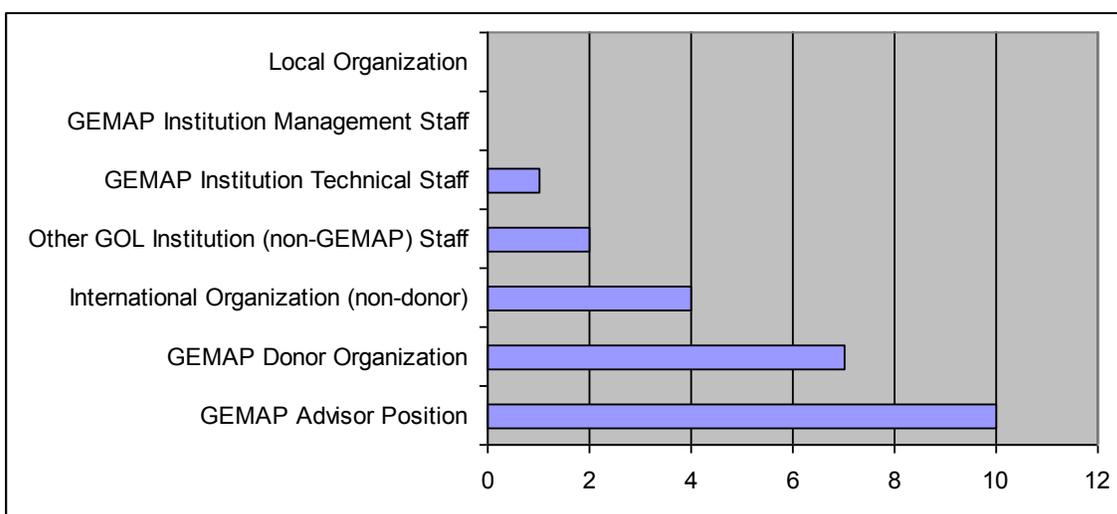
## **BUILD IN MONITORING AND EVALUATION FROM THE BEGINNING**

The multi-stakeholder multi-level structure of GEMAP posed challenges in aligning reporting requirements and implementation progress measures across different donor and government reporting systems. The quarterly reporting which emphasized narration rather than measuring progress against concrete and quantifiable benchmarks and indicators during the first two years of the program proved relatively unsuccessful in providing stakeholders with consistent and meaningful information on program progress and impact. This fact was acknowledged in the August 2008 GEMAP retreat, and for the first time in the program's history, a set of measurable benchmarks were developed. The achievement of these results would signal progress towards a certain objective, the most significant objective being the handover of IRFC co-signatory authority to GOL counterparts. This method of registering progress proved a much more meaningful and justifiable way of determining impact, and should have been incorporated into program design from the very beginning.

## V. THE WAY FORWARD

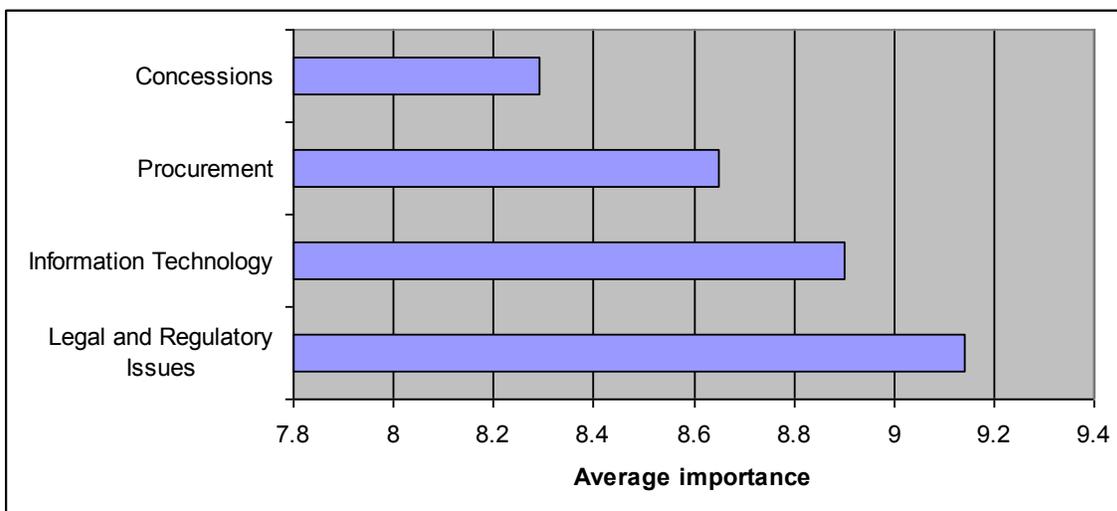
To inform planning for program design following the termination of co-signatory authority at NPA, FDA, RIA, LPRC, and DOB, and to collect views on program priorities in line with GEMAP objectives, IBI and USAID designed a limited survey in April 2009 to be distributed to GEMAP advisors and Technical Team members, including government and donor counterparts.

The survey was designed to provide a rapid and cross-cutting overview of expectations from the final year of USAID GEMAP, rather than a comprehensive assessment of progress that would produce statistically significant results. An official program assessment of USAID GEMAP has been scheduled by USAID for 2010. 21 responses were received to the survey. The breakdown of respondents by institution is as follows:

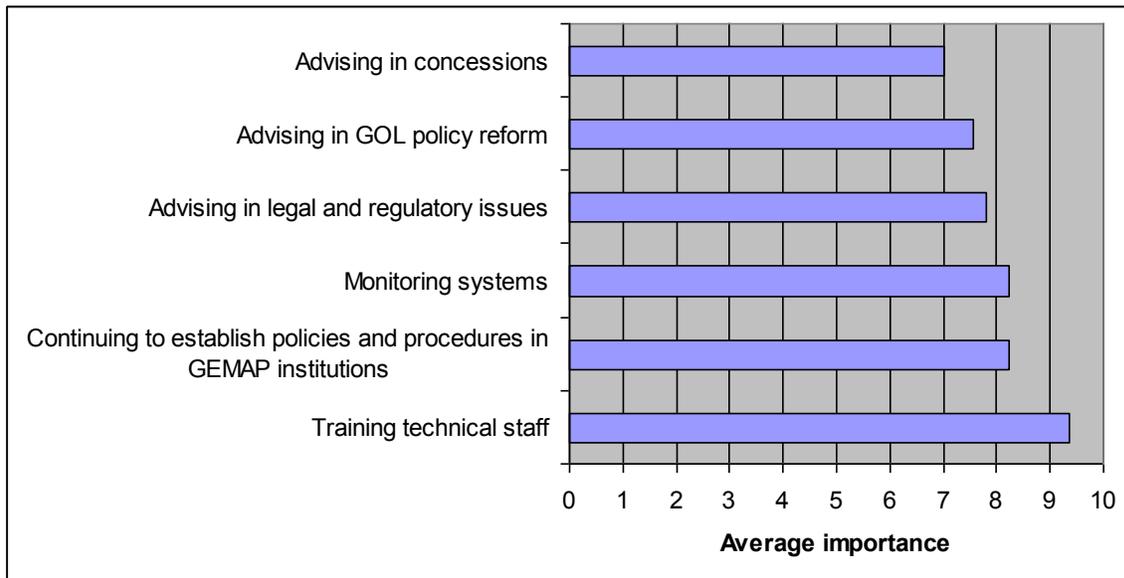


GEMAP Institution refers to Liberian institutions which GEMAP has supported since 2006. GEMAP Donor Organization refers to all those organizations that have contributed to funding for GEMAP, including USAID, World Bank, UNDP, EU, and DFID.

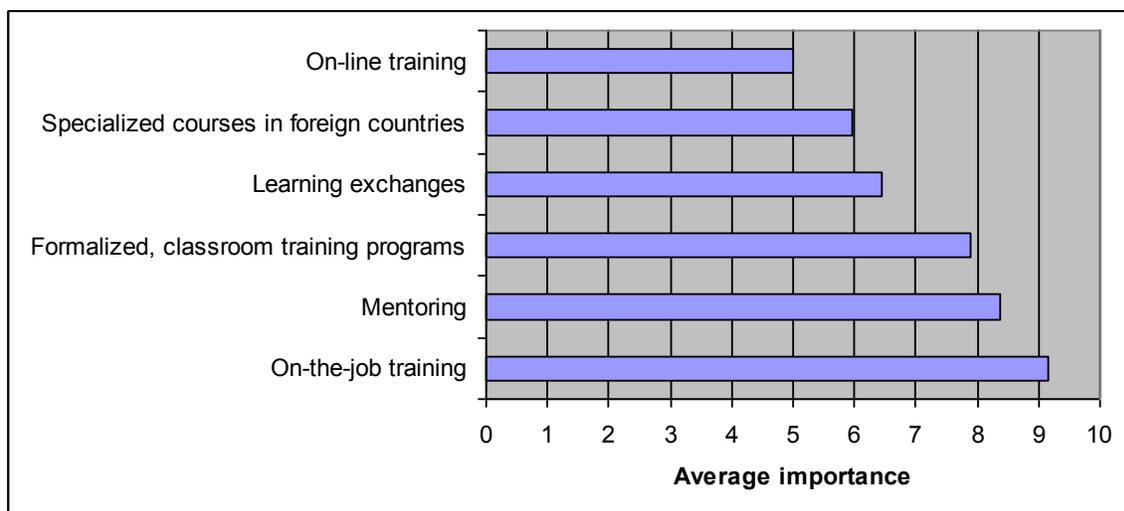
When asked about the relative importance of a number of technical areas that required capacity building, respondents emphasized the following:



A question on the primary capacity building role to be assigned to long-term and short-term GEMAP advisors in the final year of the project yielded the following information:



Capacity building was identified as a major government priority for the coming year. When asked about which capacity building methods should be used to achieve progress in the technical areas that should be given most priority, the responses yielded the following:



Finally, respondents were asked to indicate which additional institutions should receive GEMAP-related technical assistance. There was an array of responses that included a wide range of GOL institutions. The University of Liberia, Legislature, Ministry of Education, Judiciary, Ministry of Agriculture, Ministry of Finance, and Ministry of Planning and Economic Affairs were the institutions mentioned most frequently.

The results of the survey validated the view that legal and regulatory frameworks and information technology are the most pressing technical areas that need assistance. Staff capacity building and systems monitoring need to be the primary focus of technical assistance, and on-the-job training and mentoring are the most effective forms of capacity building.

Consultations with GOL, USAID, and other GEMAP donors continued through July 2009 to determine the nature of technical assistance following the termination of the co-signatory role of GEMAP financial controllers. In September 2009, USAID signed a modification to the IBI Macro II Task Order increasing the program budget by \$1,351,000 and approving the program design for the period October 1, 2009 – September 30, 2010. The overarching theme for this final year will be capacity building, focusing on increasing efficiency, revenue generation, and cost savings for the Government of Liberia. The major program components of the final year are outlined below.

***IBI Financial Management Capacity Building Program.*** This program is implemented by IBI in coordination with Liberian Institute of Public Administration (LIPA). There will be an emphasis on certified training courses, in response to a GOL request. The anticipated courses are in internal controls, internal audit, accounting, budgeting, contract administration, and IT.

***Ministry of Finance.*** IBI Budget Advisor and IBI Budget Automation Specialist will retain their roles at the Department of Budget (DOB), based on TORs updated in consultation with DOB counterparts. The Budget Advisor will terminate his co-signatory authority in October 2009. In the final year, there will be a focus on medium-term budgeting, full automation of the national budget preparation exercise, and training in the use of the automated systems. Short-term assistance provided to the Department of Revenue in improving tax revenue reporting systems will continue through the beginning of the final year.

***General Services Agency.*** Change Management Advisor will remain at GSA, assisting the GSA in completing an inventory of GOL assets, following up on reforms to the fuel coupon system, and instituting a fixed asset management system.

***Ministry of Public Works.*** An IBI Financial Advisor will assess financial management capacity, upgrade and institute internal control and other financial management systems, deliver targeted training for staff, and assist in conducting due diligence on contracts and procurements as requested by management of the institution. ***National Port Authority.*** The IBI NPA Financial Advisor and Accounting and Financial Reporting Manager will remain at the NPA following termination of GEMAP co-signatory authority in October 2009. Their focus will be to build capacity through training in financial management and contract administration as a landlord.

***Ministry of Lands, Mines, and Energy.*** IBI's Mineral Concessions Expert will build contract administration capacity for mining concessions, advise in the concessioning of the Wologizi deposit, and spearhead the implementation of the MCIMS sub-contract. He will also plan and oversee the training of a Minerals Concession Lawyer, and the development of various policies and procedures relative to the minerals and mining sector.

***Ministry of Planning and Economic Affairs.*** A long-term IBI IT Advisor will assist the Ministry in developing GOL IT strategy and policy development, and its implementation, a critical need for Liberia in its early stages of transition into modern systems.

***Short-term Technical Assistance.*** In budgeting for the final year, IBI and USAID allocated a significant level of effort to provide sufficient flexibility to act on future requests for assistance and to respond to present USAID requests. Such anticipated requests include a regulatory reform expert for the Liberian Telecom Authority, and additional technical assistance at the MCC, MOF, LPRC, MPW, NPA, and MLME as well as cross-cutting technical assistance in Board training, organizational change, and internal controls. A short-term desk study has also been planned to apply spatial development methodology to identify development corridors in Liberia, to assist the Ministry of Planning and Economic Affairs in its development of the National Economic Growth Vision and Strategy for 2012-2027, GOL's successor to the Poverty Reduction Strategy.



For more information, please visit  
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