PDAAX 060

Official File App 12A-1, Chp 12, HB 3 (TM 3:43) 9-30-82

CLASSIFICATION

PROJECT EVALUATION SUMMARY (PES) — PART I

Report Symbol U-447

1. PROJECT TITLE	2. PROJECT NUMBER	3. MISSION/AID/W OFFICE
Economic and Financial Management and Training	669-0184	USAID/Liberia

4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) 669-FY84-

☒ REGULAR EVALUATION ☐ SPECIAL EVALUATION

5. KEY PROJECT IMPLEMENTATION DATES	6. ESTIMATED PROJECT FUNDING	7. PERIOD COVERED BY EVALUATION
A. First PRO-AG or Equivalent FY 82	A. Total $ 4,047	From (month/yr.) 1/83
B. Final Obligation Expected FY 83	B. U.S. $ 3,000	To (month/yr.) 11/83
C. Final Input Delivery FY 85		Date of Evaluation Review 12/83

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
Following are the recommendations for the Economic and Financial Management and Training Project:		
1. Change LOP workplan to focus project objectives in 4 technical areas: budget process, accounting and expenditure control, personnel and payroll, and training.	USAID/Liberia Contractor	Feb. 1, 1984
2. Institute "piecemeal" approach to implementation of project objectives.	USAID/GOL Contractor	Feb. 1, 1984
3. Monitor GOL commitment to project objectives by establishing formal monthly project status committee meetings.	USAID/GOL Contractor	Jan., 1984 and every mo thereafter
4. Establish "benchmarks" for each objective and time frame in which the objectives should be completed.	USAID/GOL Contractor	Jan., 1984
5. Request REDSO/WCA T A to evaluate consultant's technical approach to attaining project objectives.	USAID/REDSO/WCA	Jan., 1984 and Nov. Design Conference, 1984
6. Do not institute an automated accounting system for the GOL	USAID	Feb., 1984
7. Structure the training component as an incentive program to reward GOL personnel.	USAID/GOL Contractors	Feb., 1984
8. Increase involvement of the Ministry of Planning and Economic Affairs	USAID/GOL Contractor	Feb., 1984
9. Amend PP, ProAg, logical framework and implementation plan to incorporate recommendations.	USAID/GOL	April, 1984

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

- [X] Project Paper
- [X] Financial Plan
- [X] Logical Framework
- [X] Project Agreement
- [X] Implementation Plan e.g., CPI Network
- [X] PIO/T
- [ ] PIO/C
- [ ] PIO/P
- [ ] Other (Specify)
- [ ] Other (Specify)

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

- A. [ ] Continue Project Without Change
- B. [ ] Change Project Design and/or [X] Change Implementation Plan
- C. [ ] Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

Mr. John Bestman, Deputy Minister of Finance
Mr. Fonie Sherman, Director of the Bureau of Budget
Dr. Carole Scherrer-Palma, Project Officer

12. Mission/AID/W Office Director Approval

Signature: [signature]

Typed Name: Lois Richards, Director

Date: July 9, 1984

AID 1330-18 (3-78)

PROJECT EVALUATION SUMMARY (PES)-PART II

13. SUMMARY

The Economic and Financial Management and Training Project was authorized on August 18, 1982. The Grant Agreement was signed on August 18, 1982, and a technical assistance contract was awarded to Alexander Grant and Company in November 1982 to provide two long-term advisors and approximately 50 p/m of short-term T.A. The long-term advisors, a fiscal planner and budget analyst, arrived in Monrovia in January, 1983. Approximately 12 p/m of short-term T.A. has been provided in a wide range of areas, such as: developing new accounting procedures, designing new budgeting procedures, designing and planning a physical audit of GOL payroll, skills inventory of GOL financial functions, review of GOL bulk purchasing program, and a review of GOL chart of accounts to develop a new account code structure. In October, 1983, the Alexander Grant contract was amended to include a third long-term advisor, an accounting systems specialist. Approximately 15 p/m of short-term T.A. was shifted from short-term to long-term. The project evaluation found that the project as it is being presently carried out is consistent with the goal of helping the GOL to "improve the management and expenditure control process."

The evaluation concluded that while the T.A. team had produced an impressive amount of analytical work, the project needed to focus more closely on a smaller number of tasks to meet project goals by 1985. Two further findings were: (1) a short fall in GOL commitment and performance in using the tools developed and expertise provided by the TA team and (2) a need to closely monitor GOL and contractor performance.

14. EVALUATION METHODOLOGY

USAID conducted this mid-term project evaluation in November, 1983 to review project accomplishments, the adequacy of the level and duration of assistance authorized and the need to extend, expand or restructure the project. The evaluation team reviewed project documents, implementation plans, consultants' reports, and interviewed key GOL officials.

15. EXTERNAL FACTORS

Liberia continues to experience a serious budget and balance of payments crisis. In part, the problem derives from falling export revenues due to world recession and rising debt repayments. But a major factor has been large and stubborn Government of Liberia budget deficits. The problems have so far proven to be longer in duration and more intractable to resolve than originally anticipated. Since Liberia uses the U.S. dollar as its currency, in addressing its economic problems it cannot fully utilize monetary policy as an adjustment mechanism and, therefore, must rely heavily on fiscal policy measures to improve economic management, and better budget and expenditure controls.

Many of the problems in the budgeting, accounting and expenditure control areas are systemic. While advisors can identify, analyze, and develop streamlined procedures, these tools can only be effective if the GOL has the political will to enforce the changes from the highest down to the lowest level of government. GOL commitment therefore continues to be the most important assumption in this project.

16. INPUTS

While the evaluation found that T.A. was of extremely high quality, the project was involved in too many areas. Technical Assistance (both long-term and short-term) will now be focused into four major tasks.

17. OUTPUTS

Outputs that were identified in the approved workplan of January, 1983, were completed on schedule. The majority of these outputs, however, were technical assessments, and manuals or new procedures. The implementation of these new procedures has only just begun. In order to achieve implementation by the PACD, outputs will be directed to 4 areas: accounting, budgeting, payroll and training.

18. PURPOSE

The purpose of this project is to improve the capability of the GOL to manage the public sector of the GOL economy from both the economic and financial standpoints. The EOP's conditions as stated in the logical framework are still considered to be a good description of what will exist when the purpose of the project is achieved. It must be clearly understood, however, that EOP's achievements to correct deficiencies impeding performance in managing the economic and financial aspects of the public sector is contingent upon GOL commitment to carry out the recommendations provided by the U.S. advisors.

19. GOAL/SUBGOAL

The goal of this project is to contribute to the achievement and maintenance of economic stability and to help revitalize and ultimately expand the GOL development program. It should be noted that this project in and of itself is too small a resource to achieve economic stability. At the same time, this project in combination with the Increased Revenue for Development Project, ESF and PL 480 has been a significant element in US and IMF efforts to stabilize the economy and to sustain the GOL development program.

20. BENEFICIARIES

Since the technical assistance portion of this project is based in Monrovia, direct project beneficiaries are GOL officials in the Ministry of Finance and Bureau of the Budget. Indirect project beneficiaries are Liberians who benefit from a more stable economy. The evaluation team did not quantify project beneficiaries.

21. UNPLANNED EFFECTS

None

22. LESSONS LEARNED

A. Other Missions considering a project of this nature should do a thorough PID and PP.

One of the reasons AID requires a PID is to test the feasibility of a new idea and to identify problems that need further analysis in the PP. Due to a severe balance of payments crisis in Liberia, this project was authorized in 1982, waiving the PID, logical framework, and all technical analyses for the PP. There is no question that project implementation would have benefited if technical analyses had been conducted prior to the arrival of the T.A. team. Furthermore, the T.A. team, USAID and GOL could have saved considerable time in the first six months of project implementation if the PP had clearly identified and gained consensus with the GOL on what specific tasks in the economic and financial management area were to be addressed and the time frame for completion of these tasks.

B. The long-term T.A. team's role should be clearly defined.

There is a distinction between an advisory role and an operational role. While the advisor can analyze design and recommend new methods, he cannot, by the nature of the job, guarantee that these new methods will be implemented. A consultant, on the other hand, serving in an operational role, not only has the capacity to introduce new methods but also has the responsibility and authority to carry then out. Therefore, the project goals, purposes, and outputs should directly relate to the role assigned by the advisor.

C. Placement of advisors in Ministries or Agencies is a critical element in achieving ECPs.

An advisor tasked with recommending changes in economic and fiscal policy should be placed at the highest level of government where those decisions are made. While placement would certainly vary from country to country, the

mission and T.A. team must place advisors next to those who actually make fiscal policy decisions. Missions considering projects of this nature should be fully aware that advisors will be involved in politically sensitive areas and the effectiveness of the advisors will be based upon the host country's commitment to institute reform.

23. SPECIAL COMMENTS OR REMARKS

See comments in item 22 above.

ECONOMIC AND FINANCIAL MANAGEMENT AND TRAINING PROJECT

669-0184

Mid-Term Evaluatio

by

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Consultant

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USAID/Liberia

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The views and interpretations expressed in this evaluation are those of the authors and should not be attributed to the Agency for International Development.

6

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. TECHNICAL ANALYSIS OF REPORTS	2
A. Expenditure Accounting	3
B. GSA Bulk Purchasing	4
C. Training	6
D. Chart of Accounts	7
E. Physical Audit of the Payroll	9
F. Budget Policies/Procedures	10
G. General Comments	13
III. LESSONS FROM PAST EXPERIENCE	15
A. Role of Resident Advisors	16
B. Project Goals and Objectices	18
C. "Absorptive Capacity" of GOL	20
D. Incentives to Implementation	22
E. Summary of Findings	23
IV. SIGNPOSTS FOR THE FUTURE	24
A. Piecemeal Engineering	25
B. Structuring of Incentives	29
C. Performance Indicators	33
D. Management Functions	33
E. Summary of Recommendations	33
APPENDIX I - PROJECT MANAGEMENT	36
A. Alexander Grant	36
B. USAID/Liberia	43
C. Government of Liberia	46
APPENDIX II - FINANCIAL MANAGEMENT SYSTEMS RECOMMENDATIONS	52
A. System Recommendations	52
B. Major Points	54
C. Analysis of Alternatives	60
APPENDIX III - PROSPECTS FOR COMPUTERIZATION	61
A. Current Situation	61
B. The Effects of the Project on Hardware Capability	64
C. Software Needs	64
D. Manpower Resources	66
APPENDIX IV - COMMENTS BY ALEXANDER GRANT AND COMPANY	67

7

I. INTRODUCTION

The mid-term evaluation of the Economic and Financial Management and Training Project (669-0184) is, according to the Project Grant Agreement, to form the basis for a decision to "expand, continue, restructure or terminate the project." While the scope of work of the evaluation team was well defined in the cables to AID/W requesting assistance in securing consultant assistance, it may be useful to state a number of premises which underlie the approaches to this evaluation.

There are two principal items on which the evaluation is based. The first is the formal project agreement, in particular those sections specifying the expected results of the project. The second basis of evaluation is the project work plan as amended in August, 1983.

The most important stated objective is to reduce the level of recurring expenditures or to at least reduce the rate of its increase. As presently constituted, the project is not directly addressing the task of curtailing or reducing expenditures. This appears appropriate given the points of access of the project. Expenditure and political decisions are inextricably intertwined and the potential to affect expenditures in a direct and immediate manner would require advisers operating at a higher level within the government then at present. It is not the intention of this evaluation to restructure the current project in so radical a fashion. It is our purpose, however, to focus on what may or may not be achieved within the existing project structure.

The project, as it is being carried out presently, is consistent with the goal of helping the GOL to "improve the management of the budgetary and expenditure control process." The activities of the project team support this goal by strengthening the financial management tools necessary to enable sound fiscal management. However, a word of caution may be appropriate. While the goal of strengthening the financial systems is laudable, the achievement of this goal will not in and of itself reduce or curtail expenditures. The implementation of effective management tools is a prerequisite to proper fiscal management, but it is the effective use of these tools which will ultimately lead to reduced expenditures.

While training in financial management is a key component of the project - both procedural or on-the-job training and a more formal skills enhancement training - the impediments to sound fiscal management may well be more pervasive and systemic than can be addressed through merely training. It appears that the problems of instituting proper management may be beyond the scope of this project. However, we clearly support the prioritization of goals because certainly the management tools must first be created before their use can become an issue.

In summary of the above discussion, the evaluation team has defined both what are and what are not the achievable goals of the project. What the goals are (or should be, given the various constraints) is to build or strengthen the GOL's financial management tools and train GOL personnel in their use. Our evaluation is based upon this premise of the project's intent. What are not goals of the project is the immediate and direct reduction of expenditures.

II. SHORT TERM CONSULTANTS

In evaluating the performance and contribution of the short-term consultants to the project, primary attention will be given to a technical analysis of the reports which each of these individuals prepared. The technical analysis will concentrate on matters of significance and of relevance to the future operations of the project.

The schedule below gives the names of the short-term consultants, the duration of their field work and the abbreviated title of the reports:

Name	Duration (1983)	Title of Report
Don Routh	4/15 - 6/1	"Expenditure Accounting"
Jim Olsen	4/20 - 7/1	"Review of General Services Agency"
Clare Munana	4/20 - 7/6	"Training Component"
Joe Shore	5/1 - 6/30	"Chart of Accounts"
Tom Bertone	4/20 - 6/30	"Planning Tools for Payroll Audit"
Tom Bertone	7/1 - 8/17	"Budget Procedures"

9

As the schedule indicates, the duration of the field work of the individuals ranged from six weeks to nearly four months totaling eleven man-months of specialized technical input.

Following a brief description and discussion of the content of each report, a few general observations and comments will deal with the contribution of the short-term consultants.

A. Expenditure Accounting/Summary of Findings and Recommendations

This, rather brief, report encapsulates a considerable amount of diligent effort and a good deal of perspicacious research. It is a competent, professional job, even though its scope was somewhat limited and a number of its recommendations are open to debate. Of special interest is Exhibit I which painstakingly traces the tortuous route which a payment voucher must traverse.

As explicitly stated in its introduction, the report does not deal with cash management and procedures for projecting cash position and debt account. Even within its avowed scope of analysis of the expenditure sources, it confines itself to payment vouchers and does not deal directly with a number of other disbursement systems.

None the less, the findings of the report are significant and illuminating. Among the most significant are the absence of a ledger which consolidates the financial condition of the government, lack of proper encumbrance procedures, inconsistent application of accounting principles and cumbersome procedures which yet fail to provide meaningful control over the expenditures. Most noteworthy, however, is the finding that management oversight and supervision is totally inadequate, that the staff lacks motivation and has low productivity and that reliance is placed on clerical rather than on analytical routines.

Most of the recommendations are sound and flow logically from the critique of the present system. However, these recommendations seem to be predicated on a vision of an internal accounting system which includes balance sheet accounting and computerization. It is an attractive vision, and a strong conceptual case can be developed in its favor. There is no

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question that to replace the present system with a computerized uniform accounting system based on a comprehensive Chart of Accounts, would put GOL in the front of countries in the developing world. But some doubts must be voiced regarding both the reach and the grasp implicit in that alluring vision, in the light of the observed deficiencies in managerial skills and staff productivity and motivation, let alone the overall absorptive capacity of the GOL, faced as it is at present with many claims on its scarce material and human resources.

On a more technical level it would seem necessary, prior to the formulation of a uniform accounting system, to have conducted and completed a thorough analysis of the present accounting system as a prelude to the conceptual design for a superior one.

As a consequence, perhaps, of the implicit adherence to the vision of a computerized accounting system, the report does not attempt to attach weights to its recommendations nor does it concern itself with assessing their respective cost-effectiveness. Yet clearly, the urgency and importance of, say, an analysis of staffing problems and levels cannot be as immediately pressing as that of establishing reconciliation procedures with the NBL. Nor can the cost-effectiveness of a system of management reporting and accountability compare with that of computerization of the entire accounting system.

B. Review of the General Service Agency Bulk Purchasing System

The report is a set of concrete findings and specific recommendations clearly prepared by a person with considerable knowledge and competence in procurement. Unlike the accounting report reviewed above, it does not propose the introduction and adoption of a new and comprehensive system of procurement into the agency but indicates ways and means by which the existing system could be tightened and occasionally extended, through better utilization of existing equipment, resources and of personnel. In only one or two instances it suggests activities not latent or incipient in the current system and even in those cases the suggested activities appear logical and pragmatic.

The report covers practically the entire gamut of the Agency's activities and the fact that a good portion of

the report assumes the operational responsibility of the GSA over bulk purchasing, which is currently held in abeyance, does not detract from its potential value. Thus, for example, practical suggestions to improve spot purchasing are designed to cover some of the benefits of bulk purchases by consolidation of spot purchasing and through better control of ministries' allotments and disbursements.

The report is especially valuable in its recommendations to open up and make more competitive the vendor registration and qualification procedures and, particularly, in advocating modest yet efficient measures to expand procurement to foreign sources not represented in Liberia. The report is also commendable in its attempt to use the existing equipment and skills more fully and more efficiently in order to create better management and supervision of the reporting of stocks, purchase orders, inventories and so on.

Like the Accounting Report, however, the GSA Report does not differentiate among its recommendations either with respect to timing or to their cost-effectiveness. Thus, it is not possible to determine whether it is more important to establish an equitable appeal procedure for non-selected vendors, or to improve the current catalog. Nor is it possible to decide, on the basis of the report above, whether the establishment of offshore procurement should take precedence over the preparation of a systems development plan for the Xerox 860.

The author of the report fully recognizes that unless the suggested steps are fully and honestly implemented, his efforts will be of little avail. Although the past performance of the Agency has provided ample ground for questioning the level of commitment of both the management and the staff to the implementation of the numerous reforms, recent changes in management of GSA have led to greater GOL commitment in implementing recommendations found in the report.

The question needs to be asked whether, perhaps, the improvements attempted in the past and those suggested now would not have had a better chance of becoming operational had they been introduced and implemented gradually, in a piecemeal fashion, as it were. Such an approach would of course greatly benefit from a set of priorities and from some indication of phasing over time.

C. Training Component

The report is a major piece of work which summarizes and documents the considerable effort which went into the gathering of the skills inventory, an assessment of needs and an appraisal of resources. But the report goes considerably beyond the mere amassing, analyzing and interpreting the data. It also sets out a program of training courses in-country, indicates priority areas for overseas training and provides an implementation plan which includes fairly detailed cost estimates.

From the vantage point of advancing the stated objectives of the project, a number of observations may be in order. The first of these observations is that, as an integral component of the project, the report could perhaps focus more sharply on the training needs and resources directly related to the intermediate and longer range goals indicated in the work-plan. From this perspective, formal training in international banking appears less urgent than training in accounting and budgetary control techniques.

Secondly, but closely related, is the observation that the report contains no explicit discussion or suggestions regarding the role of on-the-job training and its applicability to the formal training in the form of classroom instruction and seminars. In-service training, the hands-on, while-you-work-transfer of skills (and, conceivably, of habits and attitudes) is an activity which is, or ought to be, an ongoing one and closely interwoven with other project's activities, rather than a separate work-plan component.

The third observation is that, unless the skill level of participants at the entry to a training program is reasonably equal, the benefits from the course or seminar will be minimized. A one week's course in statistics may be of some use to participants with a basic knowledge of algebra and geometry but will be a waste of resources to those without it. The point is that unless the participants are reasonably homogeneous in their skills and experience, it will be impossible to devise a curriculum for a short course which will not bore to death some of the participants and remain a deep mystery to others.

Closely related to the above is the fourth observation that any cost-effective training program must include a

performance test of some kind. The purpose of such a test is to insure that the purpose of the training module has been achieved, at least in part. It follows that a reasonable performance test cannot be devised unless there is some commonality of skills and experience of the participants.

The fifth and last observation is, perhaps, the most far reaching in its implications for the future progress of the project. In the text of the report the author notes that there is no "development of incentives to encourage staff development and performance." Yet the report does not deal with this issue, except to note, in passing, that possession of an academic degree, especially one from abroad, is highly valued by civil servants.

Incentives to engage in training activities would seem to be a precondition of any success in training endeavors. However, incentives related to a training program need not be confined to the students. Incentive systems could conceivably be devised for teachers, instructors and trainers in order to advance, among other objectives, the formation of a greater number of local professionals capable of instructing in some of the disciplines indicated in the report, thus considerably reducing the instructor cost of $300 per day given in the budget estimates.

D. Chart of Accounts (and Manual)

The report (Initial Findings and Recommendations) together with the manual (Uniform Chart of Accounts) represents an astounding accomplishment on the part of the short-term consultant who produced these documents. In a relatively short period of time (2 months) the project has made available to the Government an almost complete system which in its coverage, scope and potential could accomodate the requirements of the most complex and sophisticated budget of a medium-sized American city.

From a technical standpoint the Chart of Accounts represents a quantum leap over the existing budgetary and accounting classification and procedures. It introduces the concepts and modalities of funds and transactions, enabling the application of balance sheet accounting through the general ledger and makes it possible to impose a set of managerial and control devices and instruments which the present system is

incapable of generating. The proposed Chart of Accounts would also make the flow of funds in and out of development projects, special accounts and debt positions much more explicit and more amenable to managerial scrutiny and more relevant for policy decisions. Last but not least it would integrate the GSA codes into the overall scheme of accounting. It should be borne in mind that the Chart of Accounts cannot fulfill its potential in and by itself. It must be combined with a Uniform Accounting system in order to become operational. The nature of such a system could be gleaned from the report on Expenditure Accounting (see II A above), but the system itself is yet to be produced.*

It is the necessity of combining the Chart of Accounts with a system of accounting control and procedures which raises a number of crucial issues relevant to the future implementation of the project. The seriousness of these issues is further underscored by the very high probability that even the full system, which embodies accounting procedures and controls with the Chart of Accounts, cannot be of much practical use to the GOL unless it is fully automated and computerized.

There are at least three issues which arise, all of them closely related. The first of these is whether the proposed full-fledged system is not overly ambitious and sophisticated in relation to the requirements, at present and in the foreseeable future, of the Ministry of Finance and the Bureau of the Budget. The second issue is whether, even if the proposed system is a desirable and useful one for Liberia, it is an achievable one. The last issue is whether there are any pragmatic and reasonably efficient alternatives to the proposed system.

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*Some degree of confusion may be created by the various and occasionally inconsistent use of the terms "Chart of Accounts" and "Uniform Account System" in the documents made available to the Evaluation Team. For the purposes at hand, the "Chart of Accounts" will denote a set of classifications and accounts which will make possible, the application of controls, procedures and reporting which will constitute the Uniform Accounting System.

It should be stated at the outset that the first two of the three issues raised cannot be resolved fully in the context of an evaluation report. Such a full resolution hinges on a number of perceptions and judgements which are essentially subjective and not amenable to rigorous proof. It is nevertheless incumbent on the evaluation team to make such judgemental decisions in order to be able to suggest modifications, if need be, in the intermediate work-plan of the project.

The tentative judgment arrived at by the members of the evaluation team is that the proposed system of classifications, accounts and procedures, (operative only when fully automated), is too ambitious in concept, at least within reasonable time frames and cost estimates.

It follows, therefore, that pragmatic and alternative ways and means can be found and introduced which will be useful to the Government and yet consistent with the ultimate projects objectives.

E. Planning of the Physical Payroll Audit

This report is in many ways strikingly different from the other recorded inputs of the project's short-term consultants and the most difficult to evaluate.

All other reports reviewed in this section provide a description of the existing situation, identify problem areas and make recommendations designed to alleviate or eliminate the perceived problems. Most reports go even further in outlining an implementation approach and schedule.

The Physical Payroll Planning Report goes directly into the setting out of meticulously drafted procedures for the auditing teams. The latter part of the report provides a number of draft memoranda, some of which are addressed to specific persons while others give no indications of either origin or destination.

The point made here is that the report's organization and format makes it difficult to appraise the contribution of the short-term consultant to the solution of the problem.

As a consequence, the comments and remarks which follow must be deemed tentative and are subject to correction in the light of additional facts and insights.

It should be stated at the outset that the detailed procedures set down throughout the major part of the report do indicate a considerable knowledge and understanding of the existing problems in controlling that portion of the payroll (about 75%) which is automated. The author has obviously spent a good deal of time and effort in familiarizing himself with the obstacles, pitfalls and data deficiencies which impede the objective of ascertaining that those who receive government pay checks are entitled to them and that the funds for the purpose have been duly authorized and appropriated. In general, the detailed procedures laid down for the audit, verification, appeal procedure, deletion and follow-up are quite impressive in their comprehensiveness and explicitness, but for reasons indicated above at least one step in the procedure remains ambiguous and, on it's face, may seem inadequate. Thus, a "problem category" described as those "individuals who say they receive payroll checks but whose name cannot be located on the payroll" (p. 16) appear to be subject to less definite and less stringent control than the several other problem categories. For those other categories deletion from the Master or Agency payroll is a definite possibility, and a cumbersome appeal procedure the only remedy, other than the regular process of reinstatement. Yet, about those who apparently are actually working and receiving pay but who cannot be traced to any authorized payroll, the report says that "the Management Control Office will investigate the information and take whatever steps are necessary" (p. 16). Admittedly, since employees can only receive printed payroll checks if their names are on the EDP payroll, very few such instances, perhaps none, should be encountered. Priority considerations may have dictated brief mention in the procedures. However, for guidance of audit team members, more detailed instructions might have been helpful.

F. Budgeting Policies and Procedures

The report will be accorded somewhat more attention than the other reports of short-term consultants, for two main reasons. It is an effort which in its scope is more comprehensive than all the others, with the possible exception of the "Chart of Accounts" study. It is also one where subject matter and treatment deal with a major area of the project's activities and appear of direct relevance to the intermediate work program.

In its format, presentation, and coverage, the report is a model of its kind. It provides not only a succinct description of the current practices of the Bureau of the Budget but an accurate analysis of the problems and shortcomings and a reasoned array of recommendations and suggestions designed to cope with the problem. It further delves into the implementation of the recommendations giving a good deal of attention to instruments, methods and phasing of the implementation process as well as suggestions for administrative management incident thereto. Moreover the report is unique in that it at least attempts to rank the priorities of its recommendations if only on an ordinal basis. It is, in brief, a highly professional and commendable product.

In a comprehensive and far reaching study of the kind summarized in the report, which touches on a multitude of problems of a wide range of difficulty and complexity, it is inevitable that issues can and will be joined on a number of points.

These points of contention are to a considerable extent subjective and judgemental. They pertain largely to matters where the analysis of the problems and the remedies advocated are inextricably intertwined and where rigorous proofs and unique solutions are non-existent.

The first and perhaps the most important of these areas of contention is that of "program" approach to budgeting. A very substantial part of the report is devoted to the obstacles in the path of program budgeting and the measures to overcome and/or bypass these obstacles.

It is not proposed to debate here the theoretical pros and cons of program budgeting either in relation to the current system or in comparison with such alternative approaches as performance budget or zero-base budgeting. The inclination here to hold back the progress towards program budgeting, at this time, derives from considerations briefly listed below:

1. The concept of program budgeting has greatest merit and applicability in relation to the development budget, as the author of the report fully recognizes. The Bureau of the Budget has little influence on the preparation of the development budget, nor is it likely to change that state of

affairs over the next couple of years. Indeed one of the specific recommendations of the report is that the two agencies remain separate, even though increased cooperation is advocated.

2. Much of the planning which goes into the Development Budget is, in principle, meant to follow the general approaches implicit in program budgeting. But account must often be taken of the fact that many projects are controlled by donors whose concepts of managerial control and supervision may well be at variance with the precepts of program budgeting.

3. Whether in conformance with IMF's or similar conditionalities, the total development outlays will have to be either reduced or stretched out over time. In most cases this will be done by giving preference to projects with the highest foreign exchange component, whether or not such projects are the most potentially productive.

4. As the author readily acknowleges, neither the ministries personnel, nor top GOL managers show any interest in program budgeting.

5. The forecast for the success of the rather considerable effort required to advance the cause of program budgeting is best expressed in the following quote from the report (last sentence on p. 14) "agencies will have the incentive to learn about and use program budgeting only when planning, budgeting and policy decisions are made along program budgeting lines" (sic).

The preceding discussion should not obscure the fact that the report does contain quite a number of specific suggestions and recommendations which appear both achievable and worthy of pursuit. Among these are: concrete steps to increase budgetary and expenditure control; development of an independent set of revenue estimates; the formulation of a long range Development Budget; and closer cooperation with the MPEA.

While the specific measures indicated in the report to advance the above objectives may prove effective if taken in isolation and/or sequentially, as recommended in the report, their combined weight may bear too heavily on the resources of the Bureau of the Budget and it may be appropriate to indicate some supplementary or alternative steps which could be considered.

Thus, for example, the production of revenue estimates may prove rather difficult and lengthy in practice. The possible short-cut could be to use as a benchmark the fairly detailed estimates of revenue flows by major categories available in the reports of the intermittent IMF missions to Liberia.

One promising approach (which has already been tentatively approved by the Director of BOB) to improve contact and cooperation between BOB and MPEA could be a detailed study of the recurrent budget aimed at locating positions which, for a number of reasons, are not fully utilized, say, for example, an agency which has many more drivers than operational vehicles. Were it possible to demonstrate the ability of the BOB to locate and transfer such temporarily redundant resources to development activities in need of them, the need for mutual benefits of a continuous if informal contact between the respective analysts of the two agencies could thus be clearly demonstrated and effectively implemented.

A common thread which weaves throughout the full spectrum of analyses and recommendations of the Budgetary Policies report is the perceived lack of executive power of the BOB to insure the adoption and implementation of its policies and measures, however sound and proper. It is the recognition of the crucial significance of this state of affairs which prompts the introduction of remedial measures of somewhat different nature than those advocated in the report. Some indication that the author was completely aware of this alternative route can be gleaned from a sentence in the report which refers to interface with "strong" decision-makers.

G. Short-Term Consultants - General Comments

There is no doubt that the aggregate output of the short-term consultant made an appreciable net contribution to the project's objectives. The consultants were on the whole competent and experienced persons whose work was considered of high quality by top level government officials as well as by the counterparts with whom they were more closely associated.

At the same time, the experience to date with part-time consultants, the lessons of which have filtered through both the written reports and through the perceptions of

those concerned, discloses a number of issues with relevance to the future progress of the project and in particular to the project's work-plan for the intermediate run, i.e., until mid-1985.

First, the members of the evaluation team have received a distinct impression that, notwithstanding the high regard in which the skills of individual consultants were held by responsible GOL officials, few of those felt that the deployment of short-term consultants is the most efficient form of rendering technical assistance in all areas.

In particular, implementation activities are intermittent over time, not short-term and intense. On this basis it would appear that the use of longer-term consultants is preferable for implementation related activities.

A loss of continuity occurs because of the intermittent nature of contacts, cooperation with counterparts, familiarization with issues and problems, and access to documents and other sources of information. In brief, the net contribution of an expert assigned a major substantive task who remains in the field for say, 12 months at a time, is deemed to be much more productive and useful than 4 short-term consultants who stay in the field for 3 months each and possess equal skills and experience.

Second, and in a sense a mirror image of the above impression, is the often voiced sentiment that the long-term consultants ought to be more directly involved with the agencies in which they are placed and involved, in a more operational manner. This sentiment is interpreted as the desire that the long-term consultants participate more directly and frequently in the day-to-day work of the agencies, not only as advisors and instructors but as part of the operational machinery, albeit on a temporary and intermittent basis. While it is not easy to put down precisely the modus operandi expected of the long-term advisers, it appears to be related to such occasionally pedestrian activities as sitting down with staff and supervisors for a few hours merely to go over daily routines or to participate with the management in the resolution of recurring problems.

It is apparent that the desire for such "operational" involvement of long-term advisors is only in part

motivated by the considerations of efficiency and productivity vis-a-vis the comparable involvement of short-term consultants. It would also seem to imply a somewhat different role to be played by the long-term consultants.

It is, of course, fully recognized that the use of specialist short-term consultants is often desirable and frequently necessary. Even when the assignment falls within the competence and concerns of a resident expert, the input from short-term consultants may be fully justified when such an input requires concentrated and sharply focused effort on a technical aspect of the broad discipline. Thus, for example, the preparation of the report on the Chart of Accounts and of the Manual thereto clearly falls into that category.

The use of the short-term consultant to deal with GSA procurement makes eminent sense. It is a specialized area of expertise and clearly calls for special treatment by a person of requisite skills and experience. The same considerations would apply to the Training Report. The input of a short-term consultant to the Pysical Audit of Payroll can be defended on the grounds that it was provided in response to a specific request from GOL. The more specific question is the potential value of a technical input of an expatriate to audit procedures in which he will not participate and which have to contend and largely anticipate obstacles and problems which are rooted in local culture and habits. The other, broader question is to what extent the project's leadership should respond to requests for specialized technical assistance in matters either peripheral to the project, or those which appear to overlap with ongoing activities. Both kinds of questions are difficult to answer in the abstract and are probably best dealt with in actual situations, relying largely on the combined judgements of the Chief-of-Party and the AID Project Officer.

III. LESSONS FROM PAST EXPERIENCE

The preceding sections of this report have examined the record of the project to date. The record surveyed was chiefly a printed one in the form of reports, memoranda and other documents and it was only occasionally supplemented by impressions obtained from interviews and other forms of contact with a variety of individuals.

But an evaluation of the performance of a major technical assistance project cannot limit itself to a perusal of the written records, only occasionally illuminated by opinions and sentiments which are bound to reflect a wide variety of views and standpoints. Accordingly, this section of our report will attempt to put the written evidence, as well as the prevailing tenor of the views conveyed to the evaluation team, in a broader context in order to elucidate the nature of the problems and obstacles encountered in the pursuit of the project's objectives.

More specifically, this portion of the report will: First, consider activities which have not been covered by the reports and other documentary evidence but which have, nonetheless, been time consuming and significant. Second, the totality of these activities will be examined in a way to elicit a number of findings most germane to the future course of project's activities. Third, the implications of these findings will be considered not only in the light of the experience of the project but also from the perspective of comparable experience of similar projects in different settings.

In brief, the purpose of the discussion and analysis in this section of the report is to lay a conceptual and empirical basis for a set of recommendations, suggestions and measures which could be translated into an implementable agenda for action.

A. The Role of Resident Advisers/Consultants

Among the activities not reflected at all, or only indirectly, in the written record of the project's performance to date are those of the full-time advisers. They were strategically placed in the Bureau of the Budget and at the Ministry of Finance in order to be in a position to offer continuing professional advice to their counterparts, assist them in the search of solutions to both routine and ad hoc problems and generally promote the introduction into the BOB and MOF of better procedures, controls and managerial principles.

In the course of time the roles and functions of these full time advisers have been redefined, sometimes effectively, sometimes not. The redefinition was found to be especially difficult in the case of the Chief-of-Party, whose responsibility and concerns extended beyond those of adviser and counterpart to the Deputy Minister for Expenditure and Debt Management.

It would appear that the concept of a resident adviser who provides day-to-day advice and counsel to a high level official did not prove a workable one, even though the extent of deviation from the idealized concept was less in the case of BOB adviser. There were many reasons for this. Allusion was made earlier to the growing sentiments among some key GOL officials that the advisers should function more directly as technical experts in devising new procedures and systems. On the other hand, it is difficult for a resident adviser to maintain continuous day-to-day relationships with his counterpart when the latter is frequently absent on extended missions abroad or when he is more concerned with problems and issues outside the ken of his adviser.

Be that as it may, it is possible, at a risk of simplifying the situation to draw a number of tentative conclusions pertaining to the role and function of the full-time advisers of the project, to wit:

1. Neither the GOL, nor AID/Liberia need be overly concerned about the purity of the role definitions of these resident consultants. Call them what you will but make sure that what they do, works.

2. What would seem to work is the resident consultants taking a more direct responsibility for solving financial management problems, rather than merely advising GOL personnel.

3. The resident consultants should take the initiative and seize every opportunity to orient and adapt their advice and cooperation to the changing power channels within the organizations they serve. The aim here, stated rather bluntly, is to insure, as far as possible, that the couterpart, aided and abetted by the resident consultant, is "plugged into a power outlet". More will be said to that point later.

4. The role of the Chief-of-Party should be more sharply defined and focused. It is both understandable and unavoidable that the Chief-of-Party, when the project first begins, is forced to spend an inordinate amount of time and energy on firmly ensconcing the project within the GOL structure, in developing the work-plan, in planning the visits of short-term consultants, and

in assuring adequate logistical support. With the imminent arrival of another long-term consultant, the Chief-of-Party can, and will, turn to more substantive aspects of the project.

B. Project Goals and Objectives

The analysis of the short-term consultants' output together with the changes and revisions of the work-plan leads to the conclusion that the project's original goals were overly ambitious. This conclusion applies with particular force to the objective of introducing into the GOL a highly sophisticated system of uniform accounts and procedures. For reasons touched upon previously, such a system is not likely to be effectively implemented in the foreseeable future. Thus, for example, one of the chief expected benefits of the proposed system, that of the emergence of a general ledger, conceived as a necessary (but not sufficient) condition of auditability, is of much greater utility and relevance to say a sizeable local authority than to a sovereign national government with the power to create the means to balance revenues and expenditures. However ambivilent such power from the standpoint of economic and financial management, it does detract from the expected significance of double entry accounting, fund and transaction accounting and other paraphernalia of the Uniform Accounting System. But the fundamental issue remains. Namely, whether to strive and plan for an optimal, even if remote and extremely costly system, in full cognizance of the difficulty of its achievability, or to scale down the lofty objective into that of patching up the existing system and to do so bit by bit, slowly and painfully. The choice is by no means clear, both in theory and in practice. In the first place there will be no guarantee that a scaled down, patchwork approach, will be implemented either. It, too, requires a good deal of time, effort and patience and will at the end produce a "second best" outcome, even if successful. It is arguable that an optimal system, even if at present it appears unduly sophisticated, is worth a major effort in the expectation that when that system is finally in place and fully operational the needs and requirements of the GOL will change in a way that only such an optimal system could accommodate. The essence of this position is that sooner or later a sophisticated system will be needed and that, therefore, the process of its adoption and implementation has to start sometime, in

full recognition that the ultimate goal can only be reached at a formidable cost in highly skilled manpower and complicated equipment.

The issue posed is the perennial one of the "holistic" versus "piecemeal engineering." It has its application at the pedestrian level of constructing a new house versus improving an old one.

While the evaluation team cannot pretend to resolve the issue on a philosophical level, it opts for the "piecemeal engineering" or "incremental improvements" approach in the case at hand. This option was adopted for the following reasons:

1. Granted that there is no guarantee that the patching up of the existing system will lead to effective implementation, consideration of cost-effectiveness on the one hand and the capacity of the GOL on the other, do point to a much greater probability of success.

2. While the final duration of the project is not yet fully determined, the evaluation team is adopting mid-1985 as the end of the current life of the project. Within the posited time frame only the patchwork approach appears relevant.

3. As a matter of both fact and principle, it should be possible (although not in every case,) to devise incremental remedial measures in a fashion and form consistent with the ultimate objectives. Indeed in some, not unimportant cases, the process of implementation of the piecemeal measures will involve the very same intermediate steps implicit in implementing the more gradiose goals. Indeed, under conditions of uncertainty regarding resources, needs and commitment, the piecemeal engineering approach may be considered to be the optimal path.

4. More pragmatically the piecemeal approach renders it possible to define and prescribe the intermediate objectives in a way which could serve as indicators of the progress of the project, on the one hand, and of the absorptive capacity of the GOL on the other. In this way, the future of the project beyond mid-1985 could be determined on a rational basis which would be unavailable otherwise.

C. The "Absorptive Capacity" of GOL

"Absorptive Capacity" will be used here as a portemanteau term which comprises not only the technical capabilities of the GOL or the sufficiency of the resources accessible to it to make fully operational and effective and the measures to improve its financial and fiscal management, but also the less tangible but equally important attitudes, habits and beliefs ranging all the way to the political will, all of which contribute significantly to the achievement of the project's objectives

The whole issue could be stated simply as whether the Government is willing and able to put into effective operation the set of specific measures which constitute the preconditions for the achievement of the goals as they are and, if not, whether it would be able and willing to do so were the goals suitably redefined and scaled down.

Once again a definitive answer cannot be given to either question. In dealing with the first question one has to contend with so many imponderables that at best, only a very tentative response can be put forward, and that a negative one.

In the first place, the indicators of the will to achieve the goals stated vary with the perceived nature of these goals, with the position of the persons affected by the pursuit of these goals and with the degree of realization of the mix of resources required to pursue them with any significant chances of success.

Based upon our assessment (see below) the evaluation team believes that the present goals of the project are too ambitious and should be redefined.

1. Every technical report, in making its analyses, recommendations and suggestions for implementation, deemed it necessary to point out the multiplicity of serious obstacles, in the form of lack of positive motivation, shortage of requisite skills, dearth of managerial talent, paucity of work habits and of customs and practices inimical to the success of any significant reform. Every short-term consultant and almost everyone else concerned with the project was quite firm in insisting that introduction of better methods and procedures is not merely a matter of transfer of skills and technology, but a much more

difficult and complex task of changing behavior rooted in long-established attitudes and beliefs. Indeed, a number of spcific measures and recommendations made by project consultant's have been proposed and introduced in the past, yet failed to be put into operation.

2. There is some "hard" evidence that even relatively simple and already established procedures are not fully operative. One striking instance is the fact that the most recent Monthly Expenditure Report is dated March 1983, thus of interest mainly to the National Archives.

3. There are also indications that the scope of efforts and magnitude of resources to achieve the stated objectives of the project are not fully recognized by those charged to pursue them. Thus, for example, it is difficult to reconcile the confidence of those "accepting" the target of full implementation of the Chart of Accounts by mid-1984 with the decision to entrust the preparation of a detailed yet simple set of procedures for the Physical Payroll Audit team to an expatriate short-term consultant.

4. The limited absorptive capacity of the GOL was ascertained also from the experience of a variety of other technical assistance efforts, both unilateral and bilateral, currently ongoing in Liberia. By and large, the obstacles to implementation were directly related to the scope of the goals to be implemented (where scope connotes the magnitude of the mix of skills and equipment required). Insofar as a number of these projects draws upon or relies on the resources of one agency, the Ministry of Finance, it may be ironic that a limited success of one project may be at the expense of the progress of another.

Accepting the conclusion that the objectives of the project need to be scaled down and modified along the general principles of piecemeal engineering discussed above, is there an assurance, or at least a substantial likelihood, that these incremental and/or partial measures will in fact be implemented? Certainly the probablity of effective implementaion is increased whenever the gap between resources and skills required is reduced by scaling down the requirements. Thus, the "ability" component of the "absorptive capacity" is enhanced. Whether this enhancement applies to the "willingness" component is less certain

The way to promote greater willingness to accept a patchwork approach in the intermediate term is to analyze the impediments and to build, within the set of incremental measures, some countervailing influences to these impediments.

D. Incentives to Implementation

The recurrent theme which runs through almost every serious attempt to reform the existing system is the resistance to change, whether such resistance stems from ingrained habits or attitudes, or from the desire to protect vested interests or simply from reluctance to undertake the effort required. It is an empirical axiom that a lasting and effective change in the structure of an existing institution, in its procedures and in its operational reach, is a difficult and time consuming task. The Economic and Financial Management and Training Project, whatever its initial purposes, is now established as an institution-building activity and accepted and operating as such. But given the nature of its activities and the area of its primary concern, namely significant improvement in the budgetary and expenditure process, it must contend with special problems and obstacles. This is so because a better expenditure and budgetary system brings very few direct and personal benefits to most of those involved in it.

As indicated at the outset of this report, the project, as presently constituted, is not designed to produce dramatic reduction in total government outlays, at least in the short term. Such reductions as can be achieved through the application of better methods and procedures, will irritate many without conferring sufficient benefits on a few. In short, better budgetary and expenditure control has no significant "constituency" from which to draw its impetus. For the supervisors and managers involved in the process, it connotes extra effort and responsibility without perceptible rewards. For top officials, it posits the likelihood of jurisdictional conflict without any real accretion of power. For the rank and file, who in the end would be the ones to make the improved procedures and systems work, it means the necessity of acquiring new skills and new routines in lieu of those skills and procedures with which they were familiar and/or proficient.

These special problems facing the project must not be over stated. They are given some attention because the

more serious and more common problems affecting all institution building projects are well known and have been amply documented in the relevant literature. The absence of a strong work ethic, the reluctance to apply sanctions, the avoidance of confrontation, the diversion of scarce skills and expertise to other than professional pursuits, have all been observed and analyzed and their origins in tribal traditions, and/or extended family ties and in cultural or historical factors, duly noted.

It would follow therefore that any attempt to transfer skills and technology will fail unless it is associated with and accompanied by, some incentives to increased effort, to assumption of greater responsibility, and to willingness to apply sanctions. Moreover, such incentives will tend to be more effective the more they are integrated with the other activities of the project and the more closely they succeed in matching the reward with the effort and responsibility undertaken.

Thus, the conviction that the "piecemeal engineering" approach has a better chance to succeed is based in part on the belief that it is indeed possible for the project to combine the introduction of remedial measures with incentives and occasionally, disincentives.

The nature of these built-in incentives will be discussed in the next section of this report. The point to be made here is that they should be designed in a way to further, most effectively, the incremental objectives of the project.

E. Summary of Principal Findings

1. The project and its personnel is well accepted by GOL and is, at present, in a fully operational mode. It has become, and should remain, an institution building activity in the broad areas of budgetary and expenditure processes.

2. The reliance, to date, on short-term consultants may not have contributed as much to the building of more effective GOL institutions as might have been achieved by the more intensive involvement of the resident consultants.

3. The resident consultants' roles, especially that of the Chief-of-Party, have not been clearly delineated and their talents not fully utilized by the GOL.

4. The lack of priority and cost ordering (among, for example, the numerous recommendations and suggestions embodied in the technical reports and studies) may be attributed to the original project design's bias toward a "holistic" approach to the reform of the existing system.

5. A holistic solution, which opts for a major overhaul of the present system through the introduction of sophisticated and comprehensive accounting and managerial control systems, appears overly ambitious and beyond the capability of the GOL to implement and operate in the immediate future.

6. The analysis and documentation of the current accounting and control system is not adequate as a basis for determining the most appropriate response to the GOL's accounting and expenditure control problems.

7. The proposed Chart of Accounts appears to provide a rational and informative basis for the classification and reporting of revenues, expenditures and financial condition. The implementation and testing of the new Chart of Accounts should be undertaken in phases, over several fiscal years.

8. There appears to be a lack of clearly defined lines of responsibility within the GOL for exercising the needed leadership and commitment to the furtherance of the project's objectives.

9. The effectiveness of the project's consultants could be enhanced by channeling a greater portion of their outputs (e.g. recommendations for improved systems, ad hoc responses to pressing GOL issues, special studies) through available conduits to executive power.

10. No attempts so far were made, in submitting remedial recommendations and of the suggestions for their implementation, to relate them to incentives designed to reduce resistance to change and to motivate greater effort.

IV. SIGNPOSTS FOR THE FUTURE

Drawing on the lessons of the past and in the light of the discussion of the key issues, it is possible to formulate four sets of principles or approaches, to wit.

a. Piecemeal engineering of the project's proposals in order to enhance their prospects of implementation.

b. Structuring of incentives as an integral part of the implementation process, the resources for such incentives to be drawn, in so far as possible, from the project's budget.

c. Construction of fairly precise and broadly measurable "milestones" throughout the workplan to serve both as indicators of the project progress and as an index of GOL's "absorptive capacity."

d. A sharper definition of the activities and responsibilities of the resident consultants as well as the inclusion of additional tasks and roles within the concept of managerial functions.

The four sets of principles could serve as the cornerstones of the conceptual framework upon which a detailed work plan could be built to cover the period January 1984 - July 1985.

The Evaluation Team envisions four major areas of activity within the intermediate work program. These are indicated below:

a. Budgetary Process.

b. Accounting and Expenditure Control.

c. Personnel/Payroll System.

d. Ad Hoc and Miscellaneous.

Each of these major activity areas will be further subdivided and demarcated. The omission of such former and plausible major activities as Training or Financial Reporting is quite deliberate. The conceptual framework underlying the preparation of the work program considers both training and financial reporting to be an integral part of each of the four major groups of activities indicated above and likely to be conducted more efficiently and more fruitfully within each group.

A. <u>Piecemeal Engineering</u>

It may be convenient to elucidate the application of the "piecemeal engineering" approach to each of the major categories of activities in turn. It should be

reiterated that the suggestions and recommendations which follow are not meant to be exhaustive, nor do they preclude the concurrent application of other guiding principles underpinning the conceptual framework.

1. Budget Activity

a. The Chart of Accounts should be introduced and implemented gradually. Initially, the budgetary classification system should be modified but slightly, chiefly by expanding the range of codes to provide greater detail. The introduction of Fund and Transaction codes should be postponed until the initial modifications of the budgetary codes have been fully digested and embodied in the 1984/85 Budget Document.

b. More attention should be paid to the potential inherent in the newly created Economic and Financial Management Committee, and especially to its Secretariat. At present, and to their credit, both resident consultants participate in the meetings of the Committee on an ad hoc basis and are members, ex officio, of the Secretariat. What is suggested here, is that the Chief-of-Party and the resident budget consultant play, in the future, a more active and initiating role, aiming at transforming the Secretariat into a recognized and respected source of technically sound and pragmatically useful studies, reports and position papers. The resident consultants should contribute to the formulation and preparation of these outputs and they should also support the Secretariat in other ways, including logistics. The purpose is a twofold one: One, to strengthen the planning, managerial and control functions of the Bureau of the Budget by using the Secretariat as a conduit to the executive decision-making nexus; and two, to speed up and simplify the promulgation and implementation of other needed reforms throughout the fiscal and financial machinery of GOL.

As a concrete example, one specific input can be suggested, which could serve to enhance the planning function of the BOB, and at the same time advance the overall managerial objectives of the Government. The Director of the Budget Bureau, who is a member of the EFMC, could, with

the assistance of his resident adviser, present a working paper to the EFMC which contains a detailed analysis of the way in which certain positions in the recurrent budget could usefully be transferred to the development budget. The adoption of the conclusions and recommendations of the working paper could lead to a decision of the Committee to instruct the chief analyst at the MPEA to maintain a continuous, if informal, contact with a designated analyst at the BOB, thus helping to improve the resource allocation within the public sector.

2. Accounting and Expenditure Control

The following recommendations and suggestions appear pertinent:

a. During the intermediate period, the work schedule should concentrate on the improvement of the existing accounting system rather than on the development of a Uniform Accounting System and its implementation through computerization.

One useful way to start the gradual improvement process of the present accounting system at the Ministry of Finance would be to document and describe the existing system, giving particular attention to the roles and functions of the various categories of personnel involved in the process, from the lowly clerks to Section Chiefs and Bureau Directors. The document would be distributed to everyone concerned and could become a springboard for incremental reforms and improvements. The guiding purpose would be to strengthen not only the internal procedures and controls of the Bureau of General Accounting and at the Office of the Comptroller but also to develop and strengthen the linkages between the BOB on the one hand, and the National Bank of Liberia on the other. Indeed, the forging of an operative and solid "NBL Connection" should be of a high order of priority not only to the accounting resident adviser but to the Chief-of-Party as well.

b. The "NBL Connection" should be developed and intensified, albeit gradually. Thus, for example, the need to reconcile the daily statements of the NBL with those of MOF, need

not, at the outset, involve a major reclassification of the respective codes and deposits. The emphasis during the intermediate period should be, instead, on developing simple but effective instruments which could facilitate the exchange of information between MOF and NBL and be of practical use to the expenditure control process.

c. One specific recommendation may serve not only as an illustration of the kind of "NBL Connection" suggested, but also as an indication of the practicability of "piecemeal engineering." As indicated earlier, one of the key reports required for fiscal and financial management, the Monthly Expenditures Report, is subject to so many delays that it serves, at present, only a historical purpose. Yet it would seem to be a relatively simple matter to produce meaningful reports of expenditure by budgetary category, on a current basis, merely by securing NBL assistance in aggregating and cumulating periodically the amounts of checks which are debited against various government deposits held at the Central Bank. All that is required, is that every check printed at the MOF, carry a notation on its face, giving the budgetary-appropriation code, the very code which had to be verified in any case, prior to the issuance of the check. The totaling of checks by budget code categories using the new data processing facilities at the NBL, would thus yield an almost instantaneous record of actual disbursements, for any given period, on a "checks issued" basis, which, for a number of reasons, is perhaps the best single measure of budgetary "expenditures" extant.

3. <u>Payroll Activity</u>

This activity is deemed by the evaluation team to be the first order of priority. Its successful implementation requires the extension of the payroll activities to related personnel activities and, indeed, calls for numerous links with other activities of the project in the intermediate run. Moreover, the high priority given to the Personnel/Payroll group of activities requires the application of quite sophisticated electronic systems. For these reasons the applications of the

"incremental improvement" approach to payroll/ personnel and their ancillary activities are dealt with in Appendix II and Appendix III.

4. Ad Hoc Activity

The very nature of this activity makes it rather difficult to suggest specific and concrete measures to advance the project's objectives through the application of the "piecemeal engineering" principle. Almost by definition, this category of activities cannot be fully defined as it is meant to comprise efforts which either do not exist at present or do so only in a very embryonic form.

There is however, one subactivity which could and should be included under the "Ad Hoc" umbrella. This is the specialized effort which the project should exert in order to improve the entire procurement system of the GOL, within or without the General Services Agency.

Once this subactivity is included in the intermediate workplan, the opportunities and challenges of "piecemeal engineering" emerge at once, albeit not always too clearly.

It is likely, however, that the most fruitful avenues of approach to the amelioration of the procurement system would be at two points. First, some work on the adjustment of GSA classification to the budgetary codes, and second, through strengthening of the tortuous process by which requisition vouchers are shuffled back and forth from BGA to GSA, and vice versa.

B. Structuring of Incentives

The infusion of incentives (and occasional disincentives) into the work program of the project is meant to be an integral part of almost every activity included in the intermediate work plan.

As suggested earlier, the structuring of incentives is seen as necessary for the adoption and effective implementation of any reform measure, whether modest or grandiose, with the presumption, to be sure, that the strength and the attraction of these incentives could be calibrated in relation to the magnitude of the task.

It may be useful to list the suggested applications and specific recommendations of the general approach embodied in the guiding principle. Once again, it should be borne in mind that the list is illustrative and by no means complete.

1. The primary source from which incentive devices will be drawn, will be the project's training component and to the extent possible its short-term technical assistance component. This should insure greater control and flexibility to the project's management in the design and application of the actual incentives.

2. Training-related incentives will chiefly take the form of relating the standard in-service training (i.e. courses, workshops and seminars conducted during the working hours) together with on-the-job, hands-on training, to an independently valued and esteemed objective, such as credit towards an academic degree or diploma, or a comparable stepping-stone toward a recognized professional certification. While the establishment of the desired linkages of both "at-work" and "in-house training" with the stepping-stones of academic or professional qualifications may take some time and, indeed, may require the development of a related project, the possibilities and advantages of such linkages could, from the very outset, provide a modicum of incentives to the trainees, whether in formal or informal programs.

3. One illustrative, if at present rather hypothetical, example of the training-related incentives envisaged could be, say, to appoint within a program conducted by the Liberian Institute of Public Administration (LIPA) and one ultimately leading to a degree or a diploma, one or two of the resident consultants of the project as adjunct professors of the LIPA curriculum. Such a designation would connote an authority to certify that, on the basis of progress observed at work and in consequence of the evidence of an individual's acquisition of certain skills in the process, he or she should be awarded some credit toward the ultimate degree or diploma.

4. A number of innovative devices could, conceivably, increase the flexibility of "rewarding" the progress made in the process of transferring skills and work attitudes. Some of these devices would require a

more elastic application of both the training and the consulting activities. One possibility would be to use "consulting" funds in the project to induce local professionals to participate in the training process, whether as tutors/instructors, or in preparation of case studies, or in setting and grading performance tests at the termination of each formal course or seminar.

5. One particular area of training endeavor would appear to be especially well suited to the use of consulting funds in training activities. That is the preparation, publication, and distribution of simple mannuals/textbooks for the main disciplines to be taught. Such textbooks should be developed and written with the exact audience in mind. Thus, for example, an accounting principles/and methods text would be aimed at staff personnel up to the supervisor level. A text of managerial techniques, at supervisors and above and so on. The use of local professionals in the design and preparation of these texts would help to make the curriculum more useful to the student body, more relevant to local conditions, and more consonant with the overall approach, which, views training not as a separate activity but as part and parcel of the activities constituting the work program of the project. Training-related incentives would thus become instruments to advance the progress of these activities. Hence, the transfer of skills which is facilitated by the inclusion of incentive devices becomes a major vehicle for the implementation of the objectives contained in the intermediate work plan.

6. The development of local consulting capability is a worthy objective in and by itself. The pursuit of this objective within the work program of the project is, in addition, a useful means of providing extra incentives to the managerial class in the GOL agencies concerned. We have suggested above some of the ways in which the training function could be strengthened thereby. But there may be other ways in which the lure, however distant, of a consulting practice may help to motivate the higher echelons to undertake the extra effort and risks implicit in the implementation of project's objectives. One such way could be to assist LIPA not only to become the fulcrum of project's formal training activities, but also, in time, a competent consulting resource.

There is no compelling reason why the project, at some propitious point of time could not subcontract, with LIPA's consulting arm, for a study or analysis required in connection with its work plan.

7. While training and consulting funds constitute, at present, the most direct and immediate resource for the introduction of incentives into the activities of the project, there are other ways in which incentive devices could be deployed in furtherance of project's objectives.

   The extra stimuli to effort and diligence which would, hopefully, be forthcoming through the expectation of eventual acquisition of academic or professional qualifications could be regarded as a mixed blessing in that it would generate expectation of salary and status which cannot be fulfilled under conditions prevailing at present.

   Be that as it may, there is a whole array of incentives which are said to be esteemed by civil servants, and which have to do with the desire for recognition, the craving for improved status or, even, with gratitude for being appreciated. Among such non-pecuniary incentives could be mentioned a prominently displayed plaque on the "Employee of the Month" model and other tokens of appreciation and recognition which range all the way to the ceremonious award of a coveted decoration by the Chief-of-State, to an outstanding Civil Servant.*

*The discussion in Section IV B does not mention any "disincentives" in spite of references to them earlier. The evaluation team simply did not feel that their knowledge of local culture is adequate to suggest any specific penalties for bad performance. One "disincentive" which was attempted in another country in connection with training, was to count the time spent in formal training as annual leave for those trainees who failed to pass a simple exit examination. The proponent of this particular device did not witness either its application or its effectiveness as he had to leave the country shortly after proposing it.

C. Performance Indicators and
D. Management Function

The applications of these two guiding principles or approaches to the work program of the project for the period January, 1984 - July, 1985 are given in some detail, and yet in a more extensive context, in Appendices I and II.

E. Summary of Principal Recommendations

1. The formulation and implementation of the revised Work Plan, for the period January 1, 1984 to July 1, 1985, should be guided by clearly defined management and operating principles, among which the following four are most critical:

   a. "Piecemeal engineering" - an approach based on the division of activity into specific components, pursued on an incremental basis and scheduled over a defined time-frame - should be employed to enhance prospects for implementation.

   b. Structure incentives so as to reduce attitudinal impediments to the achievement of project objectives.

   c. Construct reasonably precise and measurable milestones as indicators of the project's progress and as an index of GOL's absorptive capacity.

   d. More sharply define the activities and responsibilities of the resident consultants and employ a more structured management process for the project's tasks and activities.

2. The Evaluation Team proposes that the technical activities of the project be grouped into four major categories:

   a. Budgetary process - training.

   b. Accounting and expenditure control - training.

   c. Personnel/payroll system - training.

   d. Ad hoc and miscellaneous - training.

   Since training and financial reporting are part and parcel of each of these technical activities, it is

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recommended that investments in these two support areas be directly related to the specific attainment of the objectives of the four technical activities.

3. The evaluation team recommends that the Personnel/ Payroll activity be the principal focus of systems development and automation activity. Using the new computer and facilities of the Bureau of Budget and in conjunction with data processing personnel from the Bureau, the Ministry of Finance and the Ministry of Planning and Economic Affairs, the Chief-of-Party should direct the implementation of an improved system.

4. The determination of training needs, definition of course content and selection of the appropriate instructional methodology, should be based on the resident advisors's understanding of the particular objectives to be served and be coordinated through an assigned GOL counterpart in both the Bureau of Budget and Ministry of Finance. As much as possible the execution of these training plans should be through local institutions, use local trainers and employ materials sensitive to the local culture and working environment. The AG team may wish to consider hiring an individual locally to assist the team in coordinating the training program.

5. The Chart of Accounts should not be implemented at this time given the lack of adequate time to achieve full implementation by July 1984. However, steps should be taken to assist the GOL in a July 1985 implementation.

6. A revised Work Plan, focused on the four technical activities, should be prepared. The work plan should - by concise narrative, financial summaries, and graphic display of task interaction - support USAID's management needs by providing indications of cost, duration, implementation method, performance and other characteristics selected by the AG consultants and approved by USAID.

7. Among the specific products and achievements of such a revised work plan - consistent with the concept of concentrating on attainable objectives - we recommend the following:

   a. Production of a document describing the existing accounting and financial transaction processing

system. This volume, besides being a training device, will be a useful starting point for the identification and reform of control problems.

b. As an example of an achievable improvement of the expenditure control process, establish a definite target date for the implementation of a disbursement reconciliation procedure between the National Bank of Liberia and the Bureau of General Accounting.

APPENDIX I

PROJECT MANAGEMENT

A. ALEXANDER GRANT & COMPANY

The Economic and Financial Management and Training project is an extremely complex and ambitious undertaking. It encompasses a wide variety of technical areas related to overall financial management including accounting, cash management, budgeting, payroll, personnel, purchasing, training and financial reporting. In addition to the above, there are numerous activities addressed on an ad hoc basis by the resident consultants such as restructuring the EFMC, preparing special analyses and so forth.

The Evaluation Team recognized the magnitude of this task, as well as the dynamics of the environment in which these activities take place. On the one hand, there is a need for formalized project planning, management and reporting tools to ensure that resources are being employed effectively and progress monitored as a measure, among other things, of productivity. At the same time, it is recognized that the situation is so fluid that too great a use of formal project management tools will result in excessive time being spent in constantly revising work plans and schedules. The challenge is to balance these two needs - control and flexibility.

1. Background

Alexander Grant & Company's most recent work plan (August, 1983) consists of the following major activities:

a. Manage and Administer the Project.

b. Physical Audit of the Payroll.

c. Develop Training Program.

d. Review Bulk Purchasing.

e. Chart of Accounts.

f. Payroll System Procedures.

g. Accounting Procedures.

h. Budgeting Policy and Procedures.

i. Develop and Implement New Financial Management System (which appears to include elements of activity No. 7 plus new activities).

The current work plan is the second one submitted by AG and reflects significant changes between the original (March, 1983) and that currently approved. Not the least of these changes is the deletion of tasks to review and analyze public corporations and to improve auditing programs.

These changes are consistent with the dynamic nature of the project and reflect, one assumes, a greater understanding by the contractor of practices, work tasks, resource requirements and realistic time frames for completing activities. It should be anticipated that many changes in the work plan will occur, given the complexity of the project.

The original (March, 1983) work plan and Gantt Chart covered only activities through the end of 1983. The amendment (August, 1983) reflects activities extending into 1984, but only at the most general level such as "Implement cash management system." An accompanying Memo to the latest work plan indicates that this document reflects changes not yet approved by the GOL and/or USAID, such as a third long-term advisor. Assumedly, this was intended as an interim work plan until all changes were finalized, when a new, more detailed work plan will be developed by January, 1984.

In addition to the work plans, a quarterly status report related to the work plan is prepared by the contractor. For each approved activity the contractor offers comments and a brief narrative description of events associated with work performed, problems encountered or other factors deemed pertinent. The Evaluation Team also noted that the status report was not the only means employed by the contractor to communicate progress. The Chief-of-Party was observed in meetings with USAID personnel during the evaluation's duration. These sessions, no doubt, include inter alia commentary on the EFMT project.

2. Findings

There are a number of findings which the evaluation team reached, which indicate a number of opportunities to improve project management in the EFMT project. It should

perhaps be first stated that, while improvements can and should be made, there was no evidence of mismanagement of the activities to date. Of the six short-term activities - payroll audit, budgeting, purchasing, accounting, training and Chart of Accounts - they were essentially all completed on time, with the exception of the accounting task. Some of these activities such as purchasing and the Chart of Accounts, set extremely ambitious schedules and work loads, yet were successfully completed on schedule. We did note, however, that the issuance of the final version of the training report was delayed for over two months. This was attributed to the original report, although conforming to the work plan, requiring additional data and analysis to render that report useful as a basis of decision-making to implement the training plan (the original report lacked cost estimates).

As mentioned above, the major exception to the timely performance of the short-term consultants' tasks is the accounting activity. Our evaluation of this task also indicates that the great majority of the documentation of the present accounting system was not accomplished. These problems were attributed orally by the contractor to two primary causes:

a. Only part of the accounting activity was performed. The original short-term consultant was intended to return to complete this activity. This was never done, however, as the recommendation made after his original assignment was to utilize a third long-term advisor rather than short-term advisors to perform this activity; and

b. The accounting assignment was performed by using the short-term consultant to "guide" his counterpart, rather than the consultant becoming directly responsible for documenting the system, as the other consultants have done. Due to the unavailability of adequate counterpart time, very little actual documentation was produced.

The March, 1983 work plan does indicate that AG planned four man/months of effort in this area while actually expending only six-weeks of effort. In addition, various status reports make reference to the unavailability of the accounting counterpart. In any regard, for all intensive purposes, the accounting task should be considered as though it had never been undertaken.

Two implications of this activity - the lack of counterpart activity and the issue of whether the consultants should solely "advise" or actually perform the work will be addressed subsequently in this section.

A second finding is that while the existing project management tools, coupled with informal consultation, appears to provide a reasonable picture of present activities, there is a need to also construct project management tools which address the overall project and the direction it is taking. Throughout the evaluation frequent reference was made to future activities which are not documented anywhere. For example, it appeared to be commonly understood that the project would address the need for an improved computerized payroll system. Yet nowhere is this activity defined. This lack created enormous difficulties for the evaluation team in that we were faced with trying to evaluate a "vision" of future activities without access to any definition of those activities.

A work plan, of necessity, primarily concentrates on activities over the near terms - three to six months. To attempt detailed work plans beyond this time frame is usually worthless because the activities of the immediate three to six months will usually impact significantly the activities and schedules beyond that period. A detailed work plan, then, is a tool by which to plan, control and measure project activities now and for a relatively short period into the future. However, these activities must exist in a context. They must advance toward some set of goals. Without a full appreciation of the long-term goals, it is difficult to assess whether current activities are an efficient means of reaching those goals. While long-term goals and objectives are identified in the approved log frame a more detailed long-range work plan is needed.

Another area which was found lacking was an expression of the interrelationship between project activities. We were informed that the activity to develop a new Chart of Accounts was prioritized before activities in budgeting, purchasing and accounting because the latter would need to imbody any changes made to the Chart of Accounts. While this may be implicit to those with many years of technical experience, it is not to others. In addition, the contractor must <u>demonstrate</u> that interrelationship, not merely assume it.

An additional finding concerns the lack of written documentation and analysis concerning alternatives. In a project as complex and requiring the magnitude of effort of this, there is no definitive "best" and only way. There are always alternatives, even if only to make a choice between "changing it" and "leaving it alone." In our discussions with both the contractor and the USAID project officer, there was a significant appreciation of alternatives and the rationale for a preference for one of them. However, no written analysis supported this preference. For example, there are numerous ways to address the payroll system:

a. Institute manual controls and procedures; retain the automated system as is.

b. Replace the automated system with a manual system.

c. Revise and improve the existing automated system.

d. Replace the current system with a package.

e. Rewrite the system locally on a customized basis.

As can be seen, this finding dovetails with our previous finding concerning the absence of an overall and long-term plan. It is necessary to both analyze the alternatives to select the best or most appropriate one, and to then construct short-term work plans that efficiently move towards the selected alternative.

Our final finding in the area of project management concerns project status meetings to include the contractor, the GOL and USAID. While meetings were held from February to July, when there were numerous short-term activities, they do not appear to have been held regularly since that period. While we recognize the difficulty in convening such meetings, particularly when GOL personnel are frequently abroad, it is, in our opinion, necessary to regularly hold such meetings. They provide a forum to communicate among all the parties, for problems to be identified and resolved, for expectations to be expressed and progress defined.

In summary, it may be useful to restate our primary findings:

a. Project management, to date, has resulted in a timely production of required work products.

b. There is no overall long-term portrayal of where the project is headed, except as shown in the log frame.

c. There is no definition of interrelationships between project activities or between project work products.

d. There is a lack of identification and analysis of the alternatives.

e. Frequent and regularly scheduled status meetings with the contractor, GOL and USAID are necessary.

f. Given the lack of an overall long-term plan, it is difficult to evaluate the effectiveness of short-term work plans achieving long-term goals (although one can evaluate the contractor's performance in achieving the work plan).

It should be recognized that we are not suggesting that points 2, 3, 4 and 6 above are totally lacking from the project. It appears that they are being accomplished informally between the USAID Project Officer and the Chief-of-Party. We are stating, however, that these areas should be addressed on a more formal basis and documented.

3. Recommendations

Our recommendations, which flow logically from the findings, are as follows:

a. The contractor should prepare a long-term work plan of the overall project reflecting their "vision" of where the project is going and when and how it will get there. This long-range plan should identify the activities, rough schedule, resource requirements and contain a description of the methodology to be employed, as well as the end results to be achieved. For example, it is not sufficient to say that a new payroll system will be implemented. This plan must define what kind of payroll system will be implemented.

b. A detailed analysis of alternatives should be developed for every objective contained in the long-range plan. The long-range plan will indicate what kind of payroll system is to be implemented. The analysis of alternatives should define each alternative considered, why each was rejected, and why the one selected is preferred.

c. A prioritization plan should be developed. This would define interrelationships as well as prioritization between activities. (Why did the Payroll Audit preceed the analysis and evaluation of the payroll ststem?)

d. Detailed work plans supported by Gantt Charts should continue to be used. It is anticipated that work plans should encompass twelve months, with the initial three to six months very detailed, and the ensuing time frame progressively less so. All development and implementation activities should contain detailed explicit milestones by which to measure progress (initial documentation efforts - findings and recommendations - are generally less amenable to milestones since one rarely can anticipate what will be found).

e. Where appropriate, prioritization should be given to tasks within activities. For example, it is both appropriate and necessary to prioritize the training plan. Which courses are most important? Who should be trained first? In other areas, task prioritization is not sensible such as between creating a new payroll master file or writing new payroll programs. Neither has any meaning without the other.

f. Updated versions of all of the above project management tools should be prepared every six months, or more frequently if warrented. If new versions are not necessary at some point, this fact should be explicitly documented.

g. Formal project status meetings should be held on a regularly scheduled basis. We recommend every four weeks as a minimum requirement. These meetings should include all contractor personnel, GOL management and counterparts, as well as the USAID Project Officer. We also suggest a regular project "executive committee" meet once each month as well. This meeting should be limited to the two resident consultants, the USAID Project Officer, and the GOL counterparts to the resident consultants (Director of the Budget and Deputy Minister of Finance). The purpose of the "executive committee" meeting will be to discuss status, identify and discuss problems and commitments, GOL and contractor performance, and so forth, where the discussions may become somewhat sensitive and are thereby best confined to just the key project participants. It is our anticipation that the

"executive committee" and the regular status meetings be alternated so that there is a meeting of one or the other type every two weeks.

B. USAID/LIBERIA

While the primary focus of the evaluation team's analysis was directed toward contractor performance, GOL commitment, and the future course of the project, we have also reviewed the interrelationship between USAID and the EFMT project, primarily from a project management point of view. There are a number of concerns which we developed as a result.

Responsibility for the day-to-day management of the project, from a USAID perspective, is vested in a Project Officer. As previously mentioned, she was noted in informal meetings and discussions with the Chief-of-Party concerning the project. This on-going dialogue repre- sents, prima facie, an interchange of ideas and testing of approaches to be used in the project before they are carried out. Perhaps more important, it appears to represent a cooperative mechanism to ensure that the contractor's goals are consistent with those of USAID and the GOL. We consider the degree of involvement of the Project Officer and the cooperative relationship between USAID and the contractor to be a very positive element in USAID's management of the EFMT project. Too often in similar situations the relationship is one of "arm's length" or even an adversary relationship, which becomes counter-productive to attainment of the project's objectives.

We do have several concerns regarding USAID's management of the project. In reviewing the activities and the dynamics of the project to-date, there appears to be an unclear definition of USAID's responsibility versus that of the contractor. USAID and the GOL jointly defined and agreed to the conditions of the project. This agreement was formalized in the execution of a legal document stipulating the rights and obligations of each party. In essence, USAID has agreed to provide a technical assistance team to assist the GOL in improving their capability to manage the public sector. The GOL's commitment is to provide the consulting team with office space and equipment, personnel who will participate in the conduct of the project, and general support in the form of supplies, distribution of project work products and so forth.

While USAID has discussed GOL commitment on a number of occasions, we believe USAID must reinforce GOL compliance. USAID has the leverage as a result of the project agreement, and only USAID has meaningful sanctions to enforce GOL compliance. It is also necessary that USAID be "the bad guy" in order to preserve the contractor-GOL relationship important to the project's success. It is not possible for the consultant to compel GOL officials to use an advisor if the official does not want advice. In this situation USAID must clarify the consultant-GOL relationship or else redefine the consultant's role, so that he has a clear understanding of what is expected from him. The resident budget consultant was not able to devote time to the detailed analysis of the budget procedures (performed by a short-term consultant) because of his pre-occupation with performing an advisary role, even if that advice was not utilized. However, unless USAID redefines his role, he will continue to perform as an advisor because of his belief that that is what USAID requires of him.

A second area of concern reflects comments made to the evaluation team by GOL personnel concerning USAID's requirement to review and approve project end products before they can be made available to the GOL. This appears to be a sensitive area to at least a few GOL personnel. The issue appears to consist of the argument that if the consultants are working for the GOL, their findings should be available to the GOL without delay and without being subject to another party's approval. This line of reasoning also maintains that the consultants' findings should be available, whether USAID (or for that matter the GOL) agree with them or not. Whether one accepts the validity of this argument or not, the practice of USAID reviewing work products prior to their release does intensify the appearance of USAID-contractor collusion.

At the same time, the evaluation team recognizes the legitimacy of opposing views. The opposing view would maintain that USAID has a responsibility to ensure the quality of the consultant's work before it is released, as well as ensuring that the consultant has not inappropriately implied a USAID commitment or contradicted USAID policies or activities outside of the project.

The evaluation team lacks a basis upon which to recommend one view or the other. However, we do recommend that USAID formulate a policy in this matter and adhere to it. If that policy is to pre-review the consultant's work products, the policy and its basis should be clearly defined to the GOL so as to minimize misunderstandings and an adverse reaction.

Our final recommendation concerns the Mission's use of a financial management and systems specialist from the West African Regional Office. We recognize that project management, from USAID's perspective, entails two aspects: general management of the people, processes and resources; and technical evaluation and management of the technical aspects of the project. We believe the availability of a financial management and systems specialist would enhance the project's prospects for success.

A financial management and systems specialist would be better able to evaluate the technical approaches, methodologies and proposed solutions. In addition, he or she would be able to judge the soundness of the project's outputs. While the latter may be viewed as a quality assurance function, the former would ensure that all viable alternatives have been considered and would tend to counterbalance any technical biases the consultant may have.

Equally important, participation of a financial management and systems specialist would provide the consultant with a means to gain acceptance of concepts and approaches which appear obscure to one without technical knowledge in the disciplines involved.

As a final potential benefit, a financial management and system specialist could also, perhaps, build linkages between EFMT and the Revenue and Customs projects. He or she could also assist in those projects.

In summary of the above discussions, we have the following recommendations to improve USAID/Liberia's Management of this project, as follows:

1. USAID is responsible for enforcement of the project agreement between USAID and the GOL. It is USAID's responsibility to ensure GOL project support as to office space, supplies and GOL participation.

2. A policy concerning USAID's pre-review of work products should be defined and communicated to all project participants.

3. A financial management and systems specialist from REDSO should support the mission's project management on the basis of one to two weeks every three months.

52

C. GOVERNMENT OF LIBERIA

Project management as applied to the GOL in the context of this project, could be defined very narrowly, in the literal sense of "project management," or defined very broadly in the sense of all those elements attributable to the GOL which impact the management of the EFMT project. The ensuing discussion will adopt the latter interpretation, even if that involves topics which may stretch the definition of "project management" so as to organize our concerns regarding the GOL participation and commitment to the project in one section of this report.

1. Background

The Economic and Financial Management and Training project was designed with two long-term consultants, supported by up to fifty man/months of short-term task-oriented technical assistance. One resident consultant was placed within the Ministry of Finance (MOF) as a counterpart to the Deputy Minister of Finance for Expenditure Control and Debt Management, while the other resident consultant was placed within the Bureau of the Budget (BOB) as a counterpart to the Director of the Budget. The counsultant at MOF was charged with specific responsibilities concerning payroll, accounting, management information and audits, while the consultant at BOB was charged with specific responsibility for budgeting and training. Both consultants were charged to "advise and to assist (their counterparts) with operational problems on a day-to-day basis."

To date, the project's interaction with the GOL has focused on the following areas:

-- Payroll Audit:	MOF, GAO
-- Accounting:	MOF (BGA, Comptroller)
-- Purchasing:	GSA
-- Chart of Accounts:	MOF, BOB, GSA
-- Training:	BOB, LIPA
-- Budgeting:	BOB, MPEA

The project has essentially not touched either NBL or MPEA (except to clarify budgeting responsibilities), two organizations originally considered likely users of the project's resources.

2. Findings

When reviewing the resident consultant's roles and activities respectively at MOF and BOB, it appeared to the evaluation team that they might have been viewing two totally separate and unrelated projects.

At the Ministry of Finance, after nearly ten months, the resident consultant has no permanent office and the space available to him is inadequate. He presently shares an office with another official, who appears to receive a considerable number of visitors. The office is also used for storage of various MOF documents, as well as a waiting room for persons waiting to see the Deputy Minister of Finance. His secretary is on another floor and his office equipment (file cabinets, copier, etc.) are on yet a third. We understand his prior office assignment was to a single office shared with Mr. Coleman, a messenger, three auditors, two or three members of the EFMC secretariat, and whichever short-term consultants were working in the MOF at the time. It could be concluded that his office assignment reflects a low level of importance placed on his pres- ence by the MOF.

At the Bureau of the Budget, on the other hand, the resident consultant has been provided with office space and support commenserate with someone whose status and significance is considerable within the BOB. While the issue of office space and support may seem trivial to some, the circumstances of the two consultants seemed to parallel the significance with which the two organi- zations regard the consultants.

Additional contrasts become apparant as a result of our investigations. As a result of our review of memoranda and other documents, as well as discussion with the consultants and their GOL counterparts, a very different picture emerged. The Director of the Bureau of the Budget indicated a strong desire for an advisor and this desire was supported by the interaction between he and his consultant, as well as the points of access provided to the consultant, such as participation in weekly staff meetings, Budget Committee meetings, working conferences and frequent consultations on a variety of issues.

In contrast, at the Ministry of Finance, the Deputy Minister of Finance indicated he did <u>not</u> wish the resident consultant to function as an advisor. As a result, few if any points of access to the day-to-day business of the MOF have been provided to the consultant and direct contact

between the Deputy Minister and his consultant is infrequent. We did note that the Deputy Minister of Finance and the consultant have attempted to schedule regular meetings after work, but this appears to have had limited success.

Finally, we noted that despite the close working relationships between the Director and the consultant at the BOB and the emphasis upon an advisory role, there appears to be limited success in implementing the advice provided.

Thus, we have a paradox. At the MOF, there is little desire for an "advisor" and clearly one cannot function in that capacity if little advice is wanted. The MOF view of the consultant is as a technical expert, whose role is to directly perform the tasks necessary to improve payroll and accounting. Yet it appears that MOF, and particularly the EFMC, is the focal point for expenditure decisions. It is at the MOF that the greatest potential exists for curtailing expenditures through a properly functioning "advisor."

At the Bureau of the Budget, where advice is eagerly sought, there is little evidence of the advice being utilized and the BOB itself appears to play such a weak role in controlling expenditures, that there is limited ability for curtailing expenditures through this agency. This situation supports the contention that the receptivity of a host government official to expatriate policy-related advice is inversely proportional to that official's power and influence.

In another analysis of the GOL's commitment to attainment of the project's objectives, we attempted to trace the recommendations made in the various technical reports and other documents (status reports, letters, memoranda) and to determine what actions have been undertaken by the GOL. What has emerged from this analysis is a widespread modus operandi of the GOL of failure to readily accept responsibility to undertake change and improvement. There is a clear tendency on the part of the GOL to expect the consultant to assume all responsibility for not only making the recommendations, but for carrying them out as well. The GOL does not appear to accept responsibility for facilitating the consultant's activities. For example, the training plan calls for additional GOL funding to enable LIPA to physically support the training activity as a prerequisite to USAID consideration of

approving the training plan. The GOL does not appear to have taken any action to finalize LIPA's cost estimates or to submit them for approval. No one either within LIPA or elsewhere has taken any steps toward moving the training program forward. Yet, the training program was described to the evaluation team as "extremely important" by the Deputy Minister of Finance. No one within the GOL appears to accept responsibility for implementing the plan. The obvious question is how the GOL expects the training to take place. Unfortunately, it appears that the consultant, in order to validate their own work, is acting, at least in some cases, to precipitate GOL actions. We believe this is counter-productive in that it creates an artificial "demand" for implementation which may not exist within the GOL. As a result, when the consultant withdraws, the activity will collapse.

We recognize that the view expressed above is not uniform. The payroll audit is a clear exception, where the GOL has supplied the necessary manpower, support, and assumed full management responsibility for the audit. In most other areas, however, it appears that the GOL views its' role as solely to agree or disagree with the consultant's recommendations without any further responsibility. What actions do take place are reactions to requests; very little is initiated by the GOL itself.

Our final analysis concerns the effectiveness of management within the GOL itself. It appears that in many instances the project is attempting to develop improved financial management tools when there is a failure by the GOL to utilize even the tools that exist at present. The updating of the accounting records and bringing the expenditure report to a current status are cases in point. The consultant cannot do anything regarding these problems that the GOL could not do just as easily. The procedures to do both exist and are known. Clearly, the GOL has the knowledge to update the records and produce the expenditure report, for they do both all the time. The issue is one of timeliness.

If one thinks about how to bring the records and reports up-to-date, it is apparent that nothing more is needed than basic management: assign responsibility, set schedules, report progress and hold personnel accountable for meeting schedules. We do not believe this is an appropriate use of the consulting team's skills and see no reason why the GOL cannot perform this task themselves.

The payroll audit may be an even more dramatic example. The impediments to the audit are rooted in local culture and practices. Yet the GOL used expatriates to plan how to deal with these impediments, a role the consultant can perform at best imperfectly. We are unable to determine any element of the payroll audit that could not have been performed by GOL personnel.

3. Recommendations

We have serious concerns regarding the lack of commitment by the GOL. No matter how well the other elements of the project are planned and executed, an "improved capability to manage the public sector" cannot be imposed externally upon an unwilling government. We do recognize, however, that part of the project design is directed toward making "believers" out of the GOL. It is in recognition of this factor that we remain optimistic about the project's chances for success. In this context, we have the following recommendations:

a. We reiterate our previous recommendation that a monthly meeting be held limited to the Deputy Minister of Finance, the Director of the Budget, the USAID Project Officer and the two resident consultants. These meetings should be limited to the participants listed above to facilitate a frank and open discussion regarding project activities, problems and impediments to progress.

b. Every major task area (payroll, accounting, training, etc.) should be assigned a single overeall GOL project manager who is responsible for seeing that recommendations are carried out. These individuals do not necessarily have to be directly involved in the task area, but will be responsible for overall management. Each task project manager should be a GOL official with sufficient rank to be able to get things accomplished. They will not be counterparts to the consultants. Possible suggestions might include either the Deputy Director of the Budget to manage training, the Deputy Minister of Finance for Administration to manage accounting, and so forth.

The task project manager should be required to submit a status report of his or her task's progress in writing and/or verbally on a monthly basis.

c. The GOL must be held accountable by USAID for providing adequate office space, supplies and counterpart personnel.

d. Tasks and activities which can and should be performed by the GOL should not be undertaken by the consultants. Where such activities impact upon the project, a project manager can be assigned as described above in recommendation 2, who would be responsible for ensuring that the necessary activities are performed. In addition, where deemed appropriate, a project consultant can be assigned to monitor progress.

e. The role of advisor should be redefined. Greater access should be given to the MOF resident consultant to improve his ability to serve as an advisor. At the same time, he should primarily focus his efforts as a "technical expert." The BOB consultant should continue to work as an advisor with somewhat greater emphasis upon his role as a technical expert. The BOB's utilization and implementation of his advice should be monitored and a prerequisite to his continuation in the capacity of advisor.

APPENDIX II

FINANCIAL MANAGEMENT SYSTEMS DETAILED RECOMMENDATIONS

The EFMT Project has, to date, dealt on an individual basis with the functions of accounting, budgeting, payroll, personnel, procurement and financial reporting. Given the need to concurrently document each of these areas and assess the scope and resource requirements attendant to resolving identified problems, it is understandable that, at least in the systems analysis phase, this genereal systems analysis approach would be taken. Since all of the systems analysis were from the same management consulting firm, the data collection methodologies and procedures for documenting systems control weaknesses would be consistent.

This consistency in approach would permit the findings and conclusions to be weighed and balanced within a common framework. From this effort an overall implementation strategy, indicating priorities for both immediate resolution and/or long-term systems-oriented solutions could be developed.

Although there has not yet been developed a systems improvement plan, much of the preliminary fact-finding and systems analysis work attendant to short-term, targeted assistance has been performed. However, the depth and breadth of analysis and documentation of the current accounting system, required as a condition precedent to the implementation of a new automated system, should be an immediate priority. This could require from six to nine months of fact-finding, flow-charting, testing, documentation and similar work-steps normally associated with the Requirement Definition and Conceptual Design phase of a financial management system. Once completed - hopefully by April 30 but certainly not later than July 1, 1984 - the present accounting procedures can be modified, upgraded or automated as time, resources and capacity permit.

The major recommendations which the evaluation team proposes as a result of its review of the EFMT Project's approach to systems development are:

A. Summary of Systems Recommendations

1. Concentrate on the major financial management functions of budgeting, accounting, payroll and personnel. If requested to consult on less central functions (e.g. procurement, debt management) carefully define the scope, duration, cost and outputs before proceeding.

2. Capitalize on those targets of opportunity within core financial management functions which are recognized by the GOL as priorities and which can be upgraded, improved and automated through the joint efforts of government professionals and Alexander Grant consultants.

3. Focus specifically on the Payroll/Personnel function. AG should:

   a. Organize a Project Coordinating Committee consisting of management representatives from the Bureau of Budget, Ministry of Finance and Civil Service Administration.

   b. Assemble a project team of data processing and systems specialists currently involved in this activity or available on an advisory basis. In addition to AG professional staff, the team should include Messrs. Roland Carey (MOF), Dakena Watson (BOB) and Charles Greene (MPEA). Provision should also be made for bringing GOL data processing trainees into the systems design and implementation activity. The opportunity to participate in an actual data processing engagement should serve as a useful incentive for the training program and a test of the relevance of the selected curriculum.

   c. Flow-chart current personnel and payroll processes to assure a common framework for system development.

   d. Prepare a draft work program and review with the projection team to arrive at a logical distribution of work and to establish milestones, resource commitments and other requirements.

   e. Transfer the current payroll processing program from the MPEA computer installation to the same equipment at the BOB. The existing payroll processing should continue to be run at the MPEA installation until the improved procedure has been redesigned and tested. This may necessitate some technical support from F&F Electronics and some concentrated assistance from Mr. Greene and Mr. Carey.

   f. Upgrade and enhance the payroll operation while creating a Personnel Master File which satisfies both BOB and CSA requirements.

60

4. Document, in detail, the current accounting and control processes of the GOL. This documentation should be published and used as the basis for (1) improving internal controls; (2) identifying processing bottlenecks and other procedural problems; (3) identifying the opportunities for automation; and (4) providing a common framework for AG/GOL interaction. This material should be completed and distributed prior to the implementation of the Chart of Accounts by the Bureau of General Accounting.

5. Provide short-term guidance and implementation support for the development of a disbursement report by the National Bank of Liberia (NBL). This information will provide an additional account reconciliation and control procedure. The NBL General Manager, Mr. A.K. Gangopadhyay, has agreed to provide additional cost summaries on any basis which the account coding on GOL checks will support. The Bank has already acquired - and is awaiting delivery - of an NCR computer. Once in place, assistance should be provided under the aegis of EFMT to assure that the revenue account codes proposed for the GOL are consistent with those utilized by the NBL. It will be necessary to secure a commitment from the Governor of the National Bank before providing the type of short-term support needed.

   The systems recommendations (described above) are consistent with the framework for project planning, implementation and management discussed elsewhere in the report. For example, it actualizes the "piecemeal engineering" approaches, creates incentives for constructive participation by trainees, and encourages manageable, implementable sub-projects.

A discussion of each of these major areas is provided below:

B. Discussion of Major Points

1. Concentration on Core Functions

The EFMT Project has the potential to address a wide range of financial management and fiscal concerns. In fact, the capacity to respond quickly and professionally to expressed needs of the GOL is one of the most attractive design features of the project. Now, as the Mission considers how to "extend, expand or restructure the project," it is vital that certain principles be employed to assure the proper focus and direction for the investment of EFMT resources.

61

The evaluation team believes that some of the underlying causes of the project's inability to approach its potential can be traced to the design itself. There is no distinction made between major financial management functions and minor areas, related to finance, but less critical to project success. Resources expended on tangential areas such as auditing and updating of the accounting records have proven to be unproductive and, more critically perhaps, contribute to the absence of more tangible results in the definition of accounting system requirements.

Consequently, the Evaluation Team recommends that the EFMT project focus on the following areas to the exclusion of all others:

- Budgeting
- Accounting
- Personnel
- Payroll

These four functions should be seen as components of the overall financial management system. Work in any one area must be consistent with and reinforce systems requirements in the other areas. By building this systems integrity it is possible to also create opportunities for improved institutional and staff coordination.

2. Capitalize on Opportunities

Within the framework of the four financial management functions, there are numerous candidates for short-term, focused efforts with immediate and demonstrable benefits. Many of these areas were identified during the evaluation teams's analytical work. The following potential project opportunities were identified by the evaluation team. These are not offered as an alternative to work currently programmed or planned for inclusion in a revised work plan. Rather they should be considered as items which are GOL priorities with potential to yield specific benefits.

FUNCTION		PROJECT OPPORTUNITIES
a. Budgeting	1.1	Program allotment distribution procedures;
	1.2	Develop staff analytical capability and management controls for PAN's and transfer request;
	1.3	Define procedures to facilitate comparisons of budgetary authorization, allotments and expenditures; and
	1.4	Support the efforts of the BOB data processing consultant, Charles Greene.
b. Accounting	2.1	Document the current system; flow chart major transactions; and determine systems requirements;
	2.2	Streamline current transaction processing;
	2.3	Prepare accounting procedures guide;
	2.4	Conduct practical implementation training;
	2.5	Reconcile and/or determine the reasons for inconsistencies between Bureau of General Accounting's and Comptroller's expenditure data; and
	2.6	Provide short-term assistance to the National Bank of Liberia to facilitate disbursement reporting account reconciliation.
c. Personnel	3.1	Serve as catalyst to organize a personnel system coordination team - CSA, BOB, MOF, AG;
	3.2	Develop personnel/payroll position matching procedures.

FUNCTION	PROJECT OPPORTUNITIES
d. Payroll	4.1 Improve or replace the current payroll system;
	4.2 Develop payroll system control procedures (e.g. number of checks equal to approved positions or payroll processing suspended - by department);
	4.3 Test payroll processing system for one month; and
	4.4 Convert to new facility.

These sixteen short-term efforts can be readily accommodated within the core financial management definition and will yield benefits throughout the next twenty months of project activity. The internal control and management system capability of selected GOL agencies will also be positively affected by this effort.

3. Focus on Payroll/Personnel Issues

This function is consistently cited by GOL representatives as the priority area for the investment of EFMT resources. Already partly automated, the opportunities to increase capability are therefore greatly enhanced. The evaluation team strongly advises that this area be the principal systems development effort during the period from December 1, 1983, to June 30, 1985. The factors supporting this conclusion are many. For example:

- Current automation capability
- BOB personnel control efforts
- Computer access
- AG strength and experience in this area

All contribute to the evaluation team's determination of this area as a priority.

Logic and realism also play their part. Logic suggests that when a single expenditure category represents more than 50% of budget costs (and is perceived to be out of control) improvements are likely to yield significant dividends if GOL is committed to implementing specified

changes. Realism recognizes that GOL officials strongly recommend concentration in this area and, therefore, may be more readily capitalized upon.

Payroll/Personnel also has the added benefit of forging stronger institutional linkages through systems development. A fully functioning system will necessitate contact and cooperation between the Bureau of Budget, Ministry of Finance, Civil Service and the National Bank of Liberia. This partnership will create a general environment of control as well as specific points in the transaction flow where each agency will "demonstrate" its commitment to good management.

Finally, the recommended procedure for establishing an improved Payroll/Personnel system recognizes the need to create a critical mass of technical resources as a precondition to effective installation of an automated procedure. We recommend that Mr. Roland Carey serve as Project Coordinator and be assisted by Mr. Dakena Watson on a continuing basis and by Mr. Charles Greene in an advisory capacity. The computer at the Bureau of Budget will be used for this effort. The evaluation team recommends that the AG Chief-of-Party assume direct and personal responsibility for getting this effort moving and completed by July 1, 1985.

4. Document Accounting System

In addition to the Personnel/Payroll task, the other intensive long-term project activity relates to Accounting. There is no fully documented accounting system reference guide for the current GOL process. The lack of such a document makes it difficult to test various hypotheses concerning the capacity of the government to absorb change. There is no standard against which to calculate the degree of modification involved in moving to something different. The evaluation team, for example, was unable to determine the extent of change involved in implementing an automated accounting system. Similarly, the team felt that the Chart of Accounts represented an improved basis for classifying revenues and expenditures, but could not follow the apparently circuitous route of key transactions.

The conclusion, therefore, is that all new development within the Accounting Task should be stopped until this document is produced. Its purpose, however, is not merely to create information for internal consumption, but rather

65

to provide the capacity to prepare an Accounting Procedures Manual for use by staff of the Ministry of Finance and by budget officers, accountants and administrative staff in the line ministries.

The terms of reference for the new long-term consultant should be substantially modified to reflect this recommendation. The first six to nine months of Mr. Zeckman's stay should be devoted to fully documenting accounting systems and procedures, identifying major control or processing problems, securing agreement on recommended improvements and preparing an Accounting Procedures Manual. Then, if the accounting records per se are out of date, it may be helpful to concentrate on assisting GOL to achieve this objective (Mr. Alieu Abraham, Director of the Bureau of General Accounting has asserted that monthly expenditure reports through August are complete, but require paper for printing. Within the next month or so, the degree of delay can perhaps be more clearly defined).

5. Support the NBL Efforts

The National Bank of Liberia is willing to provide specialized disbursement reports to facilitate account reconciliation and provide a control list for review by the Bureau of General Accounting and the Comptroller. Currently, each voucher check is manually prepared, encoded with the account number and processed through MOF to the NBL. If sufficient funds are available, MOF will release the checks for payment.

The Bureau of General Accounting operates under an Accounts Payable concept. Once vouchers are approved and checks prepared, the BGA records the released check as an expenditure. (By strict accounting definition this is correct procedure. The expense has been recognized when the obligation to pay has been formalized.) However, cash availability dictates the Comptroller's physical release of the checks. By telephone contact with the NBL General Manager, the Comptroller will determine how many checks to release. With such a potentially long suspense period it is difficult to build a reconciliation procedure back to the expenditure ledgers.

The NBL's reports could assist in that regard by providing a trail back through the accounting records. Staff assigned to specific Ministries could review the disbursement list and reconcile specific transactions to the accounting records.

Shortly, the NBL will accept delivery on an NCR computer. Once in place, the capability of coding and sorting transactions and genereating even more useful data could be greatly enhanced. Assistance should be rendered to the Bank to communicate MOF's needs and assist in actually programming certain reporting routines.

C. ANALYSIS OF ALTERNATIVES

The evaluation team's recommendation of four major systems development and financial management improvements also should be reviewed to determine what is not recommended. Principal among these is the elimination of the automated appropriation and general ledger accounting system.

This determination is based on (a) a fairly rigorous assessment by the evaluation team of both the current and attainable levels of computer capability; (b) requirements for specialized software; (c) technical proficiency of key staff; and (d) extent of change required. The evaluation team does not believe that the current environment could withstand an approach to full systems installation predicated on a small core staff performing all of the programming and testing for the purpose of cutting over to a fully computerized system on July , 1985. The contractor argues that this approach, while admittedly risky, creates a single controlled "trauma." This trauma is defended by referring to a slower-paced, targeted approach as a series of traumas which, in the aggregate, cause more disruption. The evaluation team is sympathetic but unconvinced.

This is not to say that an automated system should not continue to be the principal objective of the overall EFMT project. However, the earliest date for converting to a fully automated system is July 1, 1986 (after a fairly extensive test period during the six months preceding cut over). The integration of Payroll/Personnel should only occur if it can be demonstrated that the benefits of system-generated accounting summaries are preferable to loading computer-generated payroll data into the accounting system in summary form. Finally, it does seem possible to target the development of a procurement/accounting interface in late 1986. The commodity codes and account codes can be analyzed and specialized reports prepared for GSA and BOB review and follow-up.

APPENDIX III

PROSPECTS FOR COMPUTERIZATION

A. CURRENT SITUATION

A modern, efficient financial management system, operating in a controlled and managed environment, can be greatly enhanced by the introduction of automation. Improved processing, greater control and more useful management information are the incremental benefits which computers bring to a properly functioning system. It is an effective tool, when placed in the right situation.

The Government of Liberia has certainly accepted the premise of automation, even if the benefits have not yet been fully realized. Two of the principal financial management agencies - Bureau of Budget and Ministry of Finance - have access to computers. In the case of the former the computer installation has only recently been made available for use. The latter has had an automated payroll system - run on computers operated by the Ministry of Planning and Economic Affairs - for several years. The computer facility and the application software which is currently operating need to be brought together and used as a foundation for general financial management improvement.

The following analysis of the computers, personnel and operating environments at four installations is offered as background.

1. Ministry of Planning and Economic Affairs (MPEA)

MPEA operates a Wang VS 80 computer, with 256K Main Memory in the CPU, two 75 megabyte on-line disk drives, five work stations and a 600 line per minute printer. The installation is supervised by Charles Greene, a seasoned data processing specialist. In addition to supporting the data processing requirements of MPEA, the system also functions as a service bureau to process the government payroll for the Ministry of Finance. Most of the applications, including the Payroll System are programmed in COBOL.

Access to the computer by MOF is limited. This lack of availability - and the related problem of access by MPEA - needs to be addressed. There is a great deal of

trust between MPEA and MOF, based on personal relationships of the individuals involved. However, both agree that a potential security problem exists.

The Wang VS 80 was acquired as a replacement to an IBM 34 which had proven to be too costly. Additionally, its CPU Main Memory was only 48K, with forty megabytes of on-line storage. Processing functions are slower on the IBM than on the Wang, although that alone is not a major issue. The Wang equipment is located in an air-conditioned room in the Ministry of Finance annex on Broad Street. Although there is a great deal of traffic and construction nearby, the space seems reasonably well insulated against dust, dampness, humidity and other environmental factors.

The following selected cost categories also should be considered:

Acquisition	$140,000
Maintenance	$2,000/month
Work Stations	$3,400/each

The cost information is provided as a frame of reference only.

2. <u>Bureau of Budget (BOB)</u>

The BOB has the same Wang VS 80 installation as MPEA, with the following two exceptions: (1) BOB is converting one of its work stations to a word-processing station (at an incremental cost of $1,500); (2) The printer appeared to be a Matrix dot printer, rather than a high speed printer. It was not operational when the site visit was conducted. Mr. Dakena Watson, who holds an Analyst/Programmer position, is responsible for supervising the computer operation under a Deputy Director.

BOB is now involved in defining what functions and processes are to be automated. The Agency has contracted with Mr. Charles Greene to provide data processing advice. The evaluation team supports this step and sees it as a critical component in the overall computerization plan for GOL finance functions. The environment within which the BOB computer operates could be improved.

First, the room in which the computer is housed needs environmental controls. Located on the ground floor it is exposed to excessive dust during dry seasons and high levels of humidity at other times. The equipment should be better protected and placed on platforms elevating the machinery at least 6 inches from the floor.

The cost of acquisition and installation of the hardware is comparable to the cost for MPEA, approximately $140,000 with a standard maintenance agreement of $2,000/month.

3. Ministry of Finance (MOF)

The revenue collection (cashier) operations of the Ministry of Finance have been computerized. A North Star micro-computer (64K CPU) with floppy disk supplementary memory, 5 work stations, hard disk on-line memory and two printers is available. The evaluation team was unable to view the site (Deputy Minister Koenig required a letter from Director Richards), but did review the Davenport discussion memorandum and generally concurs with its conclusions. Since the North Star system will not be used on any finance functions other than review collection it was not deemed vital to observe the operation. In the future, however, when the General Ledger system is operational, it will be necessary to assure a link between this opereation and the MOF accounting system.

4. National Bank of Liberia (NBL)

The NBL anticipates delivery of an NCR computer system shortly. The operational characteristics and equipment configuration were not described but its acquisition cost of $137,000 suggests an installation comparable in size to the Wang VS 80 (i.e. 256 K; 4/5 work stations; hard disk on-line storage; 1 printer). It is presumed that the security features of the NCR equipment were superior to those available in other possible hardware/software combinations. The evaluation team, after consideration of the special needs of NBL, recognized the need for a specialized system. The computer outputs from the Bank can be easily incorporated into an overall systems plan within requiring computer to computer linkage.

B. THE EFFECTS OF EFMT ON COMPUTER HARDWARE CAPABILITY

The evaluation team believes that all of the short-term and near-term computerization objectives can be adequately addressed without incurring any additional hardware costs. The BOB Wang VS 80 should be adequate to meet all of the hardware-related needs for automated accounting and Payroll/Personnel functions. Several work stations should perhaps be added in the BOB computer room and a modem should be installed to facilitate communications between MPEA and BOB during cut over. This additional cost should not exceed $20,000.

Ultimately, there may be need to double the CPU memory. Upgrading to 512K should provide all of the capability neede to automate the general ledger appropriation accounting function. However, "sizing" the computer requires a fairly technical analysis of the volume and processing steps for each transaction, the programming language demands and any constraints which the operating system presents.

Consequently, until the specific software is identified or its design requirements determined a hard and fast answer is not possible. However, since a memory upgrade is not a majo systems development hurdle (although the cost could run to $40,000), this should not be a concern prior to the detailed design of the accounting system.

Costs to improve the environment for the BOB computer will probably be in the $2,000 range. The cost of electricity, computer paper, telephone connections (if Modem used) and other miscellaneous costs depend on usage and other factors. The Evaluation Team offers no estimate of these factors.

C. SOFTWARE NEEDS

The "make or buy" decision concerning application software depends on a number of variables, including the availability and talent of programming and systems analysis talent. The evaluation team recommends the following approach for each of the five major financial management functions:

Budgeting - Design custom software to meet BOB needs. Provide guidance and support to Charles Greene by preparing a systems plan and revising the systems design effort.

Accounting - Conduct an inventory of accounting packages running on Wang VS 80 computers in State and local governments in the United States.

- Identify application software which might be appropriate, e.g.

  -- MSA

  -- AMS/LGFS

  -- FAMIS

  -- FACS

- If application software is to be acquired and modified, AG should prepare the necessary Request for Proposals and supervise the selection process.

- If software is to be custom designed (a decision which would require very specific justification) AG should supervise and play an active role. The cost of this alternative could be prohibitive.

- The cost of acquiring software is +/- $250,000 installed. Since the software will also require modification it may be preferable to install and modify in the U.S. Modifications would probably cost +/- $100,000 there and +/- $175,000 here.

- The manpower costs could be over $600,000 for a six to eight month installation and support effort.

Financial Reporting - Concentrate on allotment reporting at BOB. Support the efforts of Charles Greene. Provide direct on-site support to the NBL.

Payroll - Modify the current system. Only if a stand-alone government payroll system operating on a Wang VS 80 exists should application software be acquired. One of the objectives of the "make" decision

is the opportunity for skills enhancement and training of GOL personnel. If application software is needed, the cost may be +/- $50,000.

Personnel - Create a Personnel Master File and position control system on the BOB Wang VS 80 installation. AG, working with available GOL technical staff supplemented by local private sector talent if necessary, should structure and implement this project. A working estimate of budget cost to EFMT is +/- $40,000. GOL costs may be $6-8,000 in manpower and consultant costs.

D. MANPOWER RESOURCES

There is no question that a critical technical resource gap exists. There are very few computer specialists in the public sector. Training and practice are essential and they will need to be built from scratch. In the course of the analysis of the effects of computerization on the implementation of the EFMT Project, three individuals were identified as potential resources:

Charles Greene

Roland Carey

Dakena Watson

Common interests place Mr. Greene and Mr. Watson at the BOB during the next several months. The evaluation team recommends that Mr. Roland Carey, MOF's Director of Electronic Data Processing be assigned on a PASA-type arrangement to work at BOB on the Payroll/Personnel. This critical mass of talent has a far superior chance of success than any other option the evaluation team could discover. Deputy Minister John Bestman, when approached about the idea, gave his preliminary approval.

Not only will this contribute to the immediate improvement of the Payroll/Processing system, but it also creates a very impressive training reinforcement site for those individuals participating in the EFMT project's training effort. The training effort can consist of both theoretical presentation and actual hands-on experience.