PDBAY418

CLASSIFICATION

PROJECT EVALUATION SUMMARY (PES) — PART I

Report Control Symbol U-447

OFFICIAL PROJECT DOCUMENT

PROJECT TITLE	2. PROJECT NUMBER	3. MISSION/AID/W OFFICE
ncreased Revenue for Development	669-0132	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) 669-85-1

☒ REGULAR EVALUATION ☐ SPECIAL EVALUATION

KEY PROJECT IMPLEMENTATION DATES			6. ESTIMATED PROJECT FUNDING		7. PERIOD COVERED BY EVALUATION	
First PRO-AG or Equivalent FY 78	B. Final Obligation Expected FY 85	C. Final Input Delivery FY 85	A. Total	$ 12,595,000	From (month/yr.)	09/82
			B. U.S.	$ 8,283,000	To (month/yr.)	10/84
					Date of Evaluation Review	11/16/84

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
<u>Recommendations</u> BEST AVAILABLE DOCUMENT		
The Evaluation Team recommends that the Project be extended for two years to provide long and short-term TA and in-country training as necessary to the Department of Revenue of the Ministry of Finance provided recommendations 1 through 4 are implemented before the Grant Agreement is extended. The exact type and duration of the TA needed should be addressed during the design of the PP extension. For planning purposes, the Evaluation Team recommends approximately 72 PM of long-term TA (24 PM of excise tax/customs advisor, 24 PM of IRS advisor and 24 PM of automated data processing (ADP) advisor). It is also recommended that:	USAID	6/85
1. The Special Task Force on tax collections, which in the joint opinion of the MOF and AID is having a negative effect on the Department of Revenue and the orderly collections of tax revenues, should be dissolved and collection responsibilities returned to the Department of Revenue as soon as possible.	GOL	3/85

...../continued on separate sheet

INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

- ☐ Project Paper
- ☐ Financial Plan
- ☐ Logical Framework
- ☐ Project Agreement
- ☐ Implementation Plan e.g., CPI Network
- ☐ PIO/T
- ☐ PIO/C
- ☐ PIO/P
- ☒ Other (Specify) Prepare PP Amendment
- ☐ Other (Specify)

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

- A. ☒ Continue Project Without Change
- B. ☐ Change Project Design and/or
- ☐ Change Implementation Plan
- C. ☐ Discontinue Project

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

arole Scherrer-Palma, Project Officer
eorge Hazel, AID/W
ark Gallagher, AID/W
ames Pagano, USAID/L

12. Mission/AID/W Office Director Approval

Signature

Typed Name
Lois Richards

Date
November 30, 1985

1330-15 (3-78)

PROJECT EVALUATION SUMMARY (PES) - PART I

Recommendations, continued	Name of Officer Responsible for Action	Date Action to be Completed
2. A permanent central collections unit answerable to the Deputy Minister for Revenue should be set up for collecting all taxes. This unit shall have its own budget line item and not be financed by diverting funds from existing offices.	GOL	3/85
3. The Commissioner of Direct Taxation should place top priority on enforcing greater compliance in the filing of income tax returns. To this end he should:		
a) Create a special unit with responsibility for identifying those who fail to file income tax returns;	MOF	3/85
b) Set specific targets for increased compliance beginning with tax returns for CY 84.	MOF	5/85
4. The Liberian Customs Service should finalize its negotiations to lease warehouse space from the National Port Authority and complete the the rehabilitation of the building in order that the warehouse may be used for storage of custom goods before March 30, 1985.	MOF	3/85
5. The MOF should establish an efficient and fully staffed internal audit division which reports directly to the Deputy Minister for Revenue.	MOF	9/85
6. An out-of-town conference (e.g., at Robertsport) should be held, the purpose of which would be to achieve concensus on the direction this project is to take in the remaining time. Agreement on project purpose and outputs should be reached. Suggested attendees are: two USAID representatives; the COP or the IRS team; COP of U.S. Customs team; Deputy and Assistant Ministers of Finance for Revenue; Commissioner of Customs and Excise, Commissioner of Internal Revenue and Commissioner of Direct Taxation.	USAID	12/84

2

PROJECT EVALUATION SUMMARY (PES) - PART I

Recommendations, continued	Name of Officer Responsible for Action	Date Action to be Completed
7. Immediate attention should be placed on decreasing revenue losses occurring at the bonded warehouses and the transshipment of commodities	USC	10/84
8. IRS and U.S. Customs should work more closely, meeting formally at least once a month.	IRS/USC/USAID	11/84
9. Less emphasis should be placed on U.S. training and more emphasis should be placed on informal, in-country training undertaken by the long-term U.S. Customs advisors.	USC	10/84
10. Data collection at RIA should be initiated similar to that designed for the seaport. See Annex III.	USC	10/84
11. Technical assistance at RIA should be reduced to two days per week. This is sufficient time to monitor the institutionalization of the changes that have already been recommended for RIA.	USC	11/84
12. Technical assistance should be provided in the area of excise tax/tax on domestic production. This is an area that the Commissioner of Customs and Excise feels is in need of review and improvement.	USC/IRS	10/85
13. If the project is not extended beyond September 30, 1985 to provide additional long-term TA, a short-term extension (approximately 6 months) would still be necessary to provide TA toinstall the communication equipment for the outstations.	USAID	9/85
14. The IRS team leader and the U.S. Customs team leader shall submit a workplan for each team member to USAID/Liberia by December 1, 1984. The workplan is to indicate what will be required from each team member between December 1, 1984 and September 30, 1985. This workplan shall be explicit showing actual activities and dates when these activities are to begin and end. This workplan is subject to approval by USAID/Liberia and the GOL.	USC/IRS/USAID	12/1/84

13

PROJECT EVALUATION SUMMARY (PES) - PART I

Recommendations, continued

	Name of Officer Responsible for Action	Date Action to be Completed
15. The Department of Revenue should collect baseline data for both customs and internal revenue with which it can evaluate the effectiveness of its revenue measures. The IRS and U.S. Customs advisors should, with the help of TDY consultants, design a baseline survey and data collection program to be initiated by June, 1985.	GOL/USAID	6/85

4

EXECUTIVE SUMMARY

A. Project Title: Increased Revenues for Development

Number: 669-0132

Country: Liberia

B. Project Description and Development Problem

The Government of Liberia budget has been in deficit since BY 1975/76, with the deficit reaching a peak of $140 million in BY 1978/79. The deficit has been caused by a variety of external economic and internal political factors and was exacerbated by the salary increases and political uncertainty following the 1980 coup. The GOL's fiscal position has not only undermined economic confidence but severly reduced development expenditures.

The purpose of the project is to upgrade the capability of the GOL to increase resources from internal revenues. The project was authorized in December, 1977, with LOP funding of $1,633,000 and was to be implemented through a PASA with the Internal Revenue Service. Because of the GOL's deteriorating fiscal position, the project was amended in 1982, increasing to September, 1985. The 1982 amendment added a customs component to the project to be implemented by the U.S. Customs Service and emphasized generating the greatest additional revenue in the shortest possible time.

C. Purpose of Evaluation

The project is being evaluated to determine: a) what progress has been made in reaching project targets since the project was extended in 1982; b) whether the end of project (EOP) targets will be met by the PACD of September 30, 1985;
c) whether the project needs to be extended and, if so, to make specific recommendations.

D. Evaluation Methodology

This was an internal evaluation undertaken in October, 1984, by two representatives from AID/Washington and one member of the Mission staff with the participation of the Ministry of Finance and the U.S. Internal Revenue and Customs Services. The evaluators reviewed AID/Washington and Mission files and discussed the project with representatives of the Washington offices of the Internal Revenue Service and the Bureau of Customs. Individual interviews were held with each member of the U.S. Customs and IRS teams.

Interviews were held with the Deputy Minister of Finance for Revenues, the Commissioner for Direct Taxation, the Commissioner for Internal Revenue and the Commissioner for Customs and Excise. These were followed with visits to the seaport, airport, and customs and revenue outstations. The evaluation team also held interviews with private sector representatives.

E. Findings

The evaluation team concluded that AID's desire for this project to have an early impact on tax revenues is not attainable, but sufficient progress has been made in the institutional development of the Department of Revenue of the Ministry of Finance to justify a two-year extension provided certains steps are taken by the GOL before the extension is authorized.

F. Lessons Learned

1. The theory that a substantial amount of additional tax revenue could be generated in a short period of time for a government through a U.S. Customs/IRS technical assistance type project is not valid.

This project is basically an institutional development type project which may over a long time period lead to increased tax revenues provided the Government is interested in enforcing its tax laws. However, AID should not design a project of this type on the premise that the project will have an immediate or early impact on the tax revenue of a country.

2. AID needs to substantially improve its system for reviewing and approving long-term and short-term technical advisors.

The average cost for long-term technical assistance in Liberia is approximately $150,000 to $170,000 per annum and approximately $10,000 a month for short-term personnel. At these costs, better controls are needed in selecting technical assistance. In this project, a number of the advisors provided did not perform satisfactorily. One possible solution may be to have AID/Washington interview long-term and short-term candidates before approving assignments and have long-term candidates interviewed by the Mission. Clearly, reviewing CVs is not enough!

G. Recommendations

The Evaluation Team recommends that the following steps be taken before any extension of the project:

4

1. The Special Task Force on tax collections should be dissolved and collection responsibilities returned to the Department of Revenue as soon as possible.[1/]

2. A permanent central collections unit should be set up within the Department of Revenue with responsibility for collecting all taxes.

3. The Commissioner of Direct Taxation should place top priority on enforcing greater compliance in the filing of income tax returns. To this end he should:

a) Create a special unit with responsibility for identifying those who fail to file income tax returns;

b) Set specific targets for increased compliance beginning with tax returns for CY 84.

4. The Liberian Customs Service should finalize its negotiations to lease warehouse space from the National Port Authority and complete the rehabilitation of the building in order that the warehouse may be used for storage of custom goods before March 30, 1985.

1/ The Special Task Force was abolished in November, 198· after the evaluation was completed.

7

TABLE OF CONTENTS

ANNEXES

Acronyms and Abbreviations Used in This Evaluation Report

ADP	Automated Data Processing
AID/W	Agency for International Development, Washington, D.C., USA
BURP	Buchanan Uniform Revenue Procedures
BY	Budget Year (GOL fiscal year - July 1 to June 30)
COP	Chief of Party
C&V	Classification and Valuation
CY	Calendar Year
FY	Fiscal Year
GDP	Gross Domestic Product
GOL	Government of Liberia
IMF	International Monetary Fund
INTAX	International Tax Administration Training
IRS	Internal Revenue Service
LCS	Liberian Customs Service
LOP	Life of Project
MOF	Ministry of Finance
N/A	Not available/applicable
NPA	National Port Authority
OAU	Organization of African Unity
p.a.	per annum
PAAD	Program Assistance Approval Document
PACD	Project Assistance Completion Date
PASA	Participating Agency Service Agreement
PL 480	Public Law 480 (Food for Peace)
PM	Person Month
RIA	Roberts International Airport
TA	Technical Assistance
TAAS	Tax Administration Advisory Services
TDY	Temporary Duty
USAID	U.S. Agency for International Development
USC	United States Customs

I. SUMMARY

A. Project Description and Development Problem

The purpose of the Increased Revenue for Development project (669-0132) is to upgrade the capability of the Ministry of Finance (MOF) to increase resources from internal revenues. The project was designed to provide technical assistance, training and commodities to the Ministry of Finance's (MOF) Department of Revenue through a Participating Agency Service Agreement (PASA) with the Internal Revenue Service (IRS). The project, authorized in December, 1977, was amended twice, increasing the Agency for International Development's (AID) Life of Project (LOP) funding level from $1,633,000 to $8,283,000 and extending the Project Assistance Completion Date (PACD) from March 30, 1982, to September 30, 1985. The second amendment, executed in 1982, expanded the scope of the project by adding a customs component to be implemented through a PASA with the U.S. Customs Service. The amendment also shifted emphasis from long-term institution building to generating the greatest additional revenue in the shortest period possible.

Liberia's budget, which showed a surplus during the years 1969-75, changed to a deficit from 1976-84 with the deficit reaching a high of $140 million in BY 1978/79* and $121 million in BY 1980/81. The deficit, caused by economic and internal political problems, was to be addressed in part by this project which is designed to increase the collections of internal revenues. By June 30, 1982, revenue from customs collections had decreased from $79 million in 1979 to $74 million. Although revenue from income taxes increased from $49 million in 1979 to $63 million in 1982, this increase was caused in part and offset by the 100 percent increase in government salaries in 1980. To help the Government of Liberia (GOL) meet its operating expenses and provide resources for its development budget, the 1982 project amendment was designed to have an early impact on the two principal income generating sources of the GOL - income taxes and customs taxes - which represent approximately 60 percent of its total internal revenue.

B. Purpose of Evaluation

The project is being evaluated to determine: a) What progress has been made in reaching project targets since the extension date of September 1982; b) whether the end of project (EOP) targets will be met by the PACD of September 30, 1985; c) whether the outputs and EOP targets need to be changed, and d) whether the project needs to be extended and, if so, to make specific recommendations.

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* The GOL Budget Year runs July 1 to June 30.

C. Evaluation Methodology

This was an internal evaluation undertaken in October, 1984, by two representatives from AID/Washington and one member of the Mission staff with the participation of the Ministry of Finance, the U.S. Internal Revenue Service and the U.S. Customs Service. The initial step in the evaluation was a complete review of the AID/Washington and the Mission files and a discussion of the project with representatives of the Washington office of the Internal Revenue Service and the Bureau of Customs. During the first few days of the field work, individual interviews were held with each member of the U.S. Customs and IRS teams. The Chief of Party (COP) for each team was asked to submit information regarding: a) The GOL organizational structure; b) temporary duty (TDY) and training schedules; c) collection figures, and d) comments on the following:

1) Successes in project

2) Problems

3) What will have been achieved at the end of the project?

4) What needs to be done to improve the project?

Interviews were held with the Deputy Minister of Finance for Revenues, the Commissioner for Direct Taxation, the Commissioner for Internal Revenue and the Commissioner for Customs and Excise. These were followed with visits to the seaport and airport where the evaluation team reviewed the customs processing procedure and interviewed senior and middle management personnel. In addition, the team traveled up country to observe one customs outstation and three revenue outstations in operation. The evaluation team also held interviews with the private sector which helped the team gain an insight into the problems of income/customs taxes from the businessman's viewpoint.

D. Findings

The evaluation team concluded that AID's desire for this project to have an early impact on tax revenues is not attainable, but sufficient progress has been made in the institutional development of the Department of Revenue of the Ministry of Finance to justify a two-year extension provided recommendations 1-4 are put into effect before the project extension is authorized.

In many ways this has been a difficult project for the evaluation team to assess because annual revenue increases or decreases may have no relationship to the efforts of the advisory teams. The problem is further compounded by the fact the GOL has limited statistical data and the advisory teams were also working with incomplete data.

The evaluation team wrestled long and hard with the question of whether the project purpose should be: a) Institutional development with a potential effect on revenues; b) a quick revenue producing project with institutional development secondary, or c) institutional development with a focus on those components which will generate the most tax revenues. It is the evaluation team's opinion that item "c" above is the direction which the project should be following. Both advisory teams have indicated to the evaluation team that they understood the project was to increase revenue but, in their opinions, this could best be achieved through developing the institution.

The area of difference between the evaluation team and the advisory teams is one of priority or focus on improving the components of the institution. The IRS team, possibly because it has been in Liberia since 1979, has come closer to focusing on improvements which can generate more tax revenues (e.g. central cashier system, central collection department). However, the U.S. Customs team has directed its attention on administrative, management and procedural changes (e.g., improving employee morale, physical improvements and documentation improvements) which yield long range institutional benefits.

In assessing the results attained during 1983 and 1984, the evaluation team took into consideration that the Customs team has been in Liberia only from May/June 1983 while IRS has had a team in Liberia since January 1979. As is true with many contractors, U.S. Customs had start-up problems which initially affected the project implementation schedule, but a work plan has been submitted recently by Customs which addresses the project extension targets within the time frame of the September 30, 1985, PACD. However, the evaluation team recognizes that there may be some slippage in the work plan and a need to monitor improvements implemented in 1985. In addition, the Commissioner of Customs and Excise has requested assistance in improving the operations and collections of the excise tax office. To be responsive to the Commissioner's needs and to provide some ongoing monitoring assistance for Customs improvements implemented in 1985, the evaluation team recommends additional technical assistance to the Commissioner of Customs after the present team departs. Preferably, the advisor selected should be an expert in excise tax management and collections with a general knowledge of customs operations to assist in monitoring the improvements initiated by the current U.S. Customs team.

The IRS changes initiated in 1983-84 and proposed for 1985 should have a favorable effect on revenues over the next few years. However, the type of changes planned, such as a central collection office for all taxes, increasing the number of tax returns filed and improvement in all audit operations (desk, field, internal), will need substantial monitoring and adjusting beyond the current PACD of September 30, 1985. To meet this need, the evaluation team recommends extending the IRS contract to provide one revenue advisor for a two-year term who has a strong background in organizing a tax collection department and an in-depth understanding of all types of auditing.

One major management tool which has been lacking in this project from the beginning is accurate statistical data which has had a serious impact on tax collection/enforcement and made it difficult to assess the progress of the project. To meet this need, the services of an ADP advisor are needed for a two-year term. Unfortunately, IRS, which was expected to provide an ADP advisor, has been unsuccessful in its recruitment efforts but it has provided short-term TDY assistance. To ensure that a long-term ADP advisor is available for the extension period, the Mission should open the recruitment to all candidates and not be limited to the PASA agencies. To assist all three long-term advisors, the project extension should provide for short-term technical assistance.

It is in the IRS PA:

In assessing the project the evaluation team divided the constraints for increasing tax revenue into technical problems, which can be addressed through the joint efforts of the GOL and the U.S. advisory teams, and the less tangible but equally important attitudes, traditions and willingness of the GOL. Generally, the Government has in place the necessary laws, rules, regulations and systems for controlling and collecting taxes but whether the Government is willing and able to put into effective use specific actions which would substantially improve compliance in tax payments is a decision of the GOL. However, the evaluation team recognizes that there are certain problems which need to be addressed and resolved before the project can be successfully implemented. Accordingly, the evaluation team recommends that the PACD be extended to September 30, 1987, to provide 72 PM of long-term TA (24 PM of excise tax/customs advisor, 24 PM of IRS advisor and 24 PM of automated data processing (ADP) advisor) and whatever short-term TA is required, provided recommendations 1 to 4 are satisfied before the Grant Agreement is amended.

If the GOL and AID reach agreement on the extension and the terms of the extension, USAID needs to obtain an ad hoc delegation of authority from AID/Washington to extend the project beyond the current PACD. In addition, USAID needs to prepare a PP amendment for the extension period.

E. Lessons Learned

1. The assumption that a substantial amount of additional tax revenue could be generated in a short period of time for a government through a U.S. Customs/IRS technical assistance type project is not valid.

This project is basically an institutional development type project which may over a long time period lead to increased tax revenues provided the Government enforces its tax laws. However, AID should not design a project of this type on the premise that the project will have an immediate or early impact on the tax revenue of a country.

2. AID needs to substantially improve its system for reviewing and approving long-term and short-term technical advisors.

The average cost for long-term technical assistance in Liberia is approximately $150,000 to $170,000 per annum and approximately $10,000 a month for short-term personnel. At these costs, AID needs better controls in selecting technical assistance. In this project, a number of the advisors provided by the U.S. Customs Service and one provided by IRS did not provide the required inputs to the project. One possible solution may be to have AID/Washington interview long-term and short-term candidates before approving assignments and have long-term candidates interviewed by the Mission. Clearly, reviewing CVs is not enough!

F. Recommendations

The Evaluation Team recommends that the Project be extended for two years to provide long and short-term TA and in-country training as necessary to the Department of Revenue of the Ministry of Finance provided recommendations 1 through 4 are implemented before the Grant Agreement is extended. The exact type and duration of the TA needed should be addressed during the design of the PP extension. For planning purposes, the Evaluation Team recommends approximately 72 PM of long-term TA (24 PM of excise tax/customs advisor, 24 PM of IRS advisor and 24 PM of automated data processing (ADP) advisor). It is also recommended that:

1. The Special Task Force on tax collections, which in the joint opinion of the MOF and AID is having a negative effect on the Department of Revenue and the orderly collections of tax revenues, should be dissolved and collection responsibilities returned to the Department of Revenue as soon as possible. 1/

2. A permanent central collections unit answerable to the Deputy Minister for Revenue should be set up within the Department of Revenue with responsibility for collecting all taxes. This unit shall have its own budget line item and not be financed by diverting funds from existing offices.

3. The Commissioner of Direct Taxation should place top priority on enforcing greater compliance in the filing of income tax returns. To this end he should:

a) Create a special unit with responsibility for identifying those who fail to file income tax returns;

b) Set specific targets for increased compliance beginning with tax returns for CY 84.

4. The Liberian Customs Service (LCS) should finalize its negotiations to lease warehouse space from the National Port Authority (NPA) and complete the rehabilitation of the building in order that the warehouse may be used for storage of custom goods before March 30, 1985.

5. It is important the the MOF establish an efficient and fully staffed internal audit division which reports directly to the Deputy Minister for Revenue.

6. An out-of-town conference (e.g., at Robertsport) should be held, the purpose of which would be to achieve consensus on the direction this project is to take in the remaining time. Agreement on project purpose and outputs, along with methods of achieving the purpose and outputs should be reached. Suggested attendees are: two USAID representatives; the COP of the IRS team; COP of U.S. Customs team; Deputy and Assistant Ministers of Finance for Revenue; Commissioner of Customs and Excise, Commissioner of Internal Revenue and Commissioner of Direct Taxation.

7. Immediate attention should be placed on decreasing revenue losses occuring at the bonded warehouses and the transshipment of commodities.

1/ The Special Task Force was abolished in November, 1984, after the evaluation was completed.

8. IRS and U.S. Customs should work more closely meeting formally at least once a month.

9. Less emphasis should be placed on U.S. training and more emphasis should be placed on informal, in-country training undertaken by the long-term U.S. Customs advisors.

10. Data collection at RIA should be initiated similar to that designed for the seaport. See Annex III.

11. Technical assistance at RIA should be reduced to two days per week. This is sufficient time to monitor the institutionalization of the changes that have already been recommended for RIA.

12. Technical assistance should be provided in the area of excise tax/tax on domestic production. This is an area that the Commmissioner of Customs and Excise feels is in need of review and improvement.

13. If the project is not extended beyond September 30, 1985 to provide additional long-term TA, a short-term extension (approximately 6 months) would still be necessary to provide TA to install the communications equipment for the outstations.

14. The IRS team leader and the U.S. Customs team leader shall submit a workplan for each team member to USAID/Liberia by December 1, 1984. The workplan is to indicate what will be required from each team member between December 1, 1984, and September 30, 1985. This workplan shall be explicit, showing actual activities and dates when these activities are to begin and end. This workplan is subject to approval by USAID/Liberia and the GOL.

15. The Department of Revenue should collect baseline data for both customs and internal revenue with which it can evaluate the effectiveness of its revenue measures. The IRS and U.S. Customs advisors should, with the help of TDY consultants, design a baseline survey and data collection program to be initiated by June, 1985.

II. INTRODUCTION AND BACKGROUND

The Increased Revenue for Development project was authorized in December 1977, at a LOP funding level of $1,333,000 to upgrade the institutional capacity of the MOF to increase revenue from taxes. Under the original design, the project provided three long-term advisors for 4 years from the U.S. Internal Revenue Service to assist the GOL's Department of Revenue. The project was amended in 1981 to increase the LOP funding level from $1,333,000 to $1,633,000 and extend the PACD from March 30, 1982, to September 30, 1982. During the above

171

implementation period there were two evaluations. The first in August/September 1979 was favorable and showed that the project was on "target" and was the basis for extending the project for six months and increasing the funding by $300,000. The second evaluation, covering the period from 1979 to 1982, reflected the impact of the April 1980 coup. The country was also beginning to feel the economic effects of its declining export market, the high price of oil and its large capital expenditures for the 1979 OAU Conference. Notwithstanding the economic problems and internal disruptions, the MOF shows a continuous increase in the revenue collected from BY 1977/78 ($186 million) to BY 1981/82 ($238 million) with a decline in BY 1982/83 to $229 million and an estimated decline to $224 million in BY 1983/84. However, the most serious problem confronting the GOL by 1982 was the accelerated growth of its expenditures which grew from $273 million in 1977/78 to $353 million in 1980/81 with deficits ranging from $140 million in 1978/79 to $121 million in 1980/81.

Although the economic and political problems have had an adverse effect on the growth of revenue collections, the project was able to introduce management changes which had a favorable effect on the operations of the Department of Revenue during CY 1980-1982. Summary information regarding the economic/fiscal problems of Liberia are covered in Section III of this paper and in the Economic Support Fund PAAD, dated December 1983.

To help the GOL address the problem of declining gross revenues, a decision was made in 1982 to extend the project from its scheduled completion date of September 30, 1982, to September 30, 1985, and to expand the project scope to provide technical assistance from the U.S. Customs Service in addition to the U.S. Internal Revenue Service.

Under the terms of Amendment #2, dated September 1982, the LOP funding level was increased from $1,633,000 to $8,283,000 or a net increase of $6,650,000. The GOL's contribution was planned at a level of $4,312,000 for a total project cost of $12,595,000. For the purpose of the evaluation, the focus will be primarily on the time period covered by Amendment #2 which is September 1982, to the current date of October 1984. The terms of the PASA between USAID and U.S. Customs provide approximately 90 person months of long-term technical assistance (TA) (4 advisors) and 16 person months of short-term TA over 3 years. The PASA between USAID and IRS provides approximately 70 person months of long-term TA and 14 person months of short-term TA over the 3 year extension period.

III. ECONOMIC CONSTRAINTS AND PROSPECTS

A. The Economy

The main thrust of this section will be to ascertain whether or not the project purpose has been achieved, i.e., has the MOF been able to increase resources through internal revenues, and what broader macroeconomic atmosphere has prevailed that would affect the attainment of this purpose.

From BY 1978/79 to BY 1981/82, the GOL had been able to increase internally generated revenues as shown in Table I. However, from BY 1981/82 to BY 1983/84 revenues have deteriorated sharply, dropping a total of $13.7 million or almost 6 percent of the BY 1981/82 total.

TABLE I

Total Tax & Non-Tax Revenues (excludes Grants)
(in $ millions)

BY	77/78	78/79	79/80	80/81	81/82	82/83	83/84
	185.5	201.9	202.8	217.9	237.9	229.0	224.2

In BY 1981/82 many new revenue measures were imposed. Excise taxes were raised on gasoline and beer. A national reconstruction tax was imposed August 1 on all wages and salaries and on the income of all self-employed as a substitute for the compulsory national savings bond scheme of BY 1980/81. Tax rates ranged from 2 percent on earnings of less than $200 per month, 5 percent on those earnings between $200 and $500 per month, 8 percent on those earnings between $500 and $1,000 per month and 10 percent on those earnings above $1,100 per month. Authority for collection of stumpage fees from the timber industry was transferred from the Ministry of Finance to the Forest Development Authority in order to stimulate collections.

By the middle of the year, these measures were modified due to popular opposition and indications that they may have had a negative impact on revenues. The excise tax on beer, the transshipment tax on foreign goods transshipped through Liberia and the reconstruction tax were all lowered from their previous rates.

Overall revenue performance was considerably more lackluster than had been hoped. Total revenues rose to only $238 million rather than the $268 million that had originally been anticipated. Reflecting the impact of the subsequent

19

reduction in rates, excises rose considerably less than planned. Reduced production and unexpected collection difficulties led to a slump in stumpage tax revenues. A decline in recorded imports was matched by a fall in import revenues of $6 million, in contrast to the $13 million increase that had been expected. These shortfalls were not offset by the performance of other taxes.

Income tax revenues reached the planned targets. A strong performance from both personal and corporate income taxes, together rising by 9 percent, offset the adverse halving of iron-ore profit sharing revenues due to reduced production in the iron-ore industry. Despite a 2 percent decline in the number of vessels registered, maritime revenues did well in BY 1981/82, rising from $13 million to $24 million, reflecting the full year's impact of the tripling, on January 1, 1981, of the annual tonnage tax or ships registered under the Liberian flag (from $0.10 to $0.30 per net ton). Non-tax revenues fell in BY 1981/82 owing largely to negligible proceeds from gold receipts and an increase in arrears in rental payments from tenants in government housing.

In BY 1982/83, revenue fell by 6 percent to $224 million. An increase in income tax receipts was more than offset by declines in excise tax, maritime revenue and customs receipts.

Revenues for BY 1983/84 were projected to increase to $247.5 million. Instead, as shown in Table II, these revenues only reached $215.7 million, missing the mark by about $31.8 million.

The projected increase in revenues, which did not come about, was expected in large part to come from new revenue measures. Aside from the effect of the continuing economic depression, it is apparent that these new revenue measures had little, if any, effect.

These new revenue measures included a 60 cents per gallon increase in gasoline tax, increases in a number of tax rates, and a broadening of the tax base in the areas of stamp tax, consular fees, customs duties, and excise taxes.

Despite this increase in the tax burden, revenues declined. It is felt that much of this decline was due to general tax relief granted to the rubber sector, which suffered a severe slump in 1982/83, and a downturn in dutiable imports.

Projections for BY 1984/85 show revenue collections to come to $236.0 million. We can only hope that this projection is more realistic than have been past projections, although, so far, collections for the first two months of this fiscal year are already off the mark by almost $11 million or 26 percent.

TABLE II

GOL Revenues 1/
(in $ thousands)

		Projected	Actual
1983 -	Jul	18,902	19,101
	Aug	20,010	18,173
	Sep	18,733	18,503
	Oct	18,783	16,624
	Nov	19,766	21,576 2/
	Dec	21,284	15,972
1984 -	Jan	24,786	23,739
	Feb	20,884	13,050
	Mar	23,497	14,867
	Apr	21,295	19,708
	May	19,720	17,601
	Jun	19,840	16,770
Total BY 84		$247,500	$215,684

(Difference between Projected and Actual revenues - $31,816)

1984 -	Jul	23,260	14,247
	Aug	18,460	16,610 3/
	Sep	17,345	
	Oct	17,975	
	Nov	16,735	
	Dec	18,240	
1985 -	Jan	25,775	
	Feb	18,625	
	Mar	21,200	
	Apr	22,000	
	May	18,000	
	Jun	18,385	
Total BY 85		$236,000	N/A

1/ Coverage of revenue not consistent with that in Table I. Thus total differs from that in Table I.

2/ includes $4 million PL 480

3 does not include $1 million PL 480

Source: Ministry of Finance

Liberia experienced rapid rates of economic growth in the sixties (over 6 percent p.a.) and early seventies (over 4 percent p.a.) due to great increases in value added and output in the iron ore and rubber sectors and the improvement in the terms of trade. But, with the rise of oil prices since the mid-seventies and subsequent recession in industrialized countries, demand for iron ore and rubber weakened, slowing economic growth to less than 1.0 percent p.a. in 1974-79. A serious policy error was made when the GOL decided to expand inefficient, resource draining, public sector enterprises.

There were signs of economic recovery in 1978 and 1979, when GDP grew 4.0 percent and 5.7 percent, respectively. This temporary growth occurred due to recovery in the world prices of iron ore, rubber and timber and due to tremendous OAU-related construction activity which, however, resulted in a quick build-up of debt.

By 1980, external demand again weakened and with the burden of the OAU investments debt the economy deteriorated precipitously. With further dislocation caused by the coup, real GDP declined by 4.7 percent. In 1981, real GDP declined again by 5.0 percent.

With the heavy debt burden and the instability before and after the April 1980 coup d'etat, capital flight devastated the banking system and the general economy. A general liquidity crisis existed. A large import bill for oil and rice, in addition to a doubling of public sector minimum wages, produced a fiscal crisis for the government.

The public sector's external position has deteriorated so that only a small portion of the government's revenue is generated offshore, and the National Bank of Liberia no longer has the external assets to effect overseas transfers in payment for oil, debt service and public sector import bills.

Commercial Banks cannot freely and without delay transfer unlimited private deposits to overseas accounts because of their heavy indebtedness to their head offices. Thus, despite the fact that Liberia uses the U.S. dollar as its local currency, Liberia now faces a foreign exchange problem.

As illustrated in Table I, government revenues had consistently increased between BY 1977/78 and BY 1981/82, and then declined subsequently. Nominal GDP performance has been more lackluster, growing at a slower rate.

Real GDP has performed even worse.

TABLE III

Total GDP at Current Market Prices
(in $ millions)

Year	1977	1978	1979	1980	1981	1982	1983
	872.9	943.7	1067.6	1116.8	1119.0	1139.0	1088.0

Source: IMF and Ministry of Planning and Economic Affairs, Liberia
Note: Figures from 1981 on are based on fiscal year data beginning July 1, 1980.

TABLE IV

Total GDP at Constant 1971 Market Prices
(in $ millions)

Year	1977	1978	1979	1980	1981	1982	1983
	473.6	496.2	512.4	491.4	486.3	479.0	444.0

Source: IMF
Note: Figures from 1981 on reflect data collected during fiscal years beginning July 1, 1980.

TABLE V

Annual Rate of Growth of GDP at Constant Prices
(in $ millions)

Year	1977	1978	1979	1980	1981	1982	1983
	1.6	4.8	3.2	-4.1	-3.4	-1.2	-7.3

Source: IMF
Note: Data from 1981 based on BY figures.

TABLE VI

Government Revenues as Percent of GDP

1978	1979	1980	1981	1982	1983	1984
21.3%	21.4%	19.0%	19.5%	21.3%	19.7%	19.7%

Source: Adapted from tables in this report.
Note: based on BY beginning July 1, 1977.

As illustrated in Table VI, the share of revenues in GDP has not increased. As a matter of fact, from 1978 to 1984 government revenues have slipped from 21.3 percent of GDP to 19.7 percent, despite the new revenue measures initiated in BY 1981/82. Aside from the imposition of a greater tax burden on the economy, and the improvement in tax collection and accountability hoped for in this project, both of which should have increased revenues as a share of GDP, but have not, the chances for growth in the GOL's capacity to generate revenues from internal sources is severely constrained by the economy's overall lack of robustness.

Projections of world demand for Liberia's principal exports (iron ore, rubber and timber) indicate that price prospects are not likely to improve soon. The recent upturn in rubber prices has been countered by poor conditions in the iron and timber markets. With this constraint on the economy, we must look to improved performance in public policy as the way to stem the deterioration in the Liberian economy.

According to the World Bank, should the GOL undertake needed policy reforms, e.g., restoring fiscal balance by reducing the wage bill and increasing tax revenues, stimulating exports, increasing real imports, attracting overseas investment, arresting capital flight, improving allocation of the development budget, reforming public administration and further privatization of public sector industries; then we can expect some growth in the economy, and by 1986, some growth in per capita GDP.

Growth in GDP and GDP per capita should enhance the GOL's capacity to generate revenues from internal resources, but, as stated above, the fiscal policies of the GOL will very much affect economic growth.

B. Fiscal Situation

The overall budget deficit has decreased significantly since BY 1980/81, from $121.3 million in BY 1980/81 to an estimated $75.4 million in BY 1983/84. Revenue generated internally has risen from $201.9 million in BY 1978/79 to $224.2 million in BY 1983/84.

The overall budget deficit in 1978/79 was at its highest as a share of GDP at 14.0 percent of GDP. The next year the deficit dropped to 8.0 percent of GDP. It was 10.3 percent and 10.4 percent in BY 1980/81 and 1981/82, respectively. Since then it has dropped to only 3.7 percent of GDP.

Part of this decline in the overall deficit as percent of GDP, and recently in absolute terms, was assisted by foreign grants, although there has not been much increase here in the past couple of years.

The GOL has managed to get its deficit down by increasing revenues generated locally, although the rate of increase has been meager, and by decreasing expenditures steadily since BY 1981/82. Expenditures in 1981/82 amounted to $397.0 million. For BY 1983/84, expenditures are estimated to amount to only $320.0 million, thus the GOL has been able to decrease expenditure by about one-fifth.

The largest cuts come under recurrent and development expenditures. Of recurrent expenditures, the largest cuts have come from wages and salaries. Wages and salaries have been cut by about $56.2 million since BY 1981/82; however, it must be noted that wages and salaries nearly doubled between BY 1978/79 and BY 1981/82. There is still much fat to be trimmed in this category.

Development expenditures have dropped most alarmingly. Total development expenditure in BY 1978/79 came to $212.8 million. By BY 1983/84, this is estimated to come to only $75.6 million. Foreign provided development expenditure BY 1980/81 was at $65.1 million; it dropped by almost 50 percent in subsequent years. Locally provided development expenditure dropped from $62.8 million in BY 1981/82 to only $37.5 million. Since there is no breakdown between local and foreign development expenditure prior to BY 1980/81, the entire story is not given here. However, the entire story would show an even steeper decline in this category of expenditure.

One of this project's goals is the stabilization of the development program to the extent possible. While it is not clear what is the extent possible, it is clear that the development program has not yet been stabilized. Since the project only foresees an increase in the development budget as a percent of the total budget in the intermediate term and long term, such a proclamation may be premature. Nonetheless, the trend is in the opposite direction than had been envisioned.

IV. EVALUATION

A. Internal Revenue and Taxation

1. Outputs

a. Summary of Organization and Functions

The collection of internal revenue and taxes is the responsibility of two commissioners within the Department of Revenue: the Commissioner of Internal Revenue and Commissioner of Direct Taxation. The Commissioner of Internal Revenue's purview includes real estate and motor vehicle taxes, business and occupational licensing fees and levies on business trade and alcoholic beverage sales. The Commissioner of Internal Revenue is also responsible for various other revenue operations including the centralized cashiering for all government revenue (including customs and excise), and all internal revenue outstations. The Commissioner of Direct Taxation is responsible for income taxes on individuals, partnerships and corporations as well as taxes on real estate leases. Taxes collected by the Commissioner for Direct Taxation amounted to $61.9 million in FY 1983/84 (including $60.6 million for all income taxes), compared to $15.6 million for all taxes collected by the Commissioner of Internal Revenue (see Table VII, GOL Revenue by Source, FY 1978/84).

In addition to the two commissioners who collect internal revenue and taxes (and the Commissioner of Customs and Excise who has comparable status within the Department of Revenue) there are three independent offices reporting directly to the Deputy Minister for Revenue and his Assistant Minister. These are the Deputy Commissioner for Revenue Accounts, the Chief Auditor and the head of the recently created Training Unit.

b. Reorganization

One of the principal objectives of the IRS/TAAS team has been to reorganize domestic revenue collection along functional lines, i.e., combining like functions into the same organizational units. Ideally this would entail placing all internal revenue and taxes under a single commissioner. Likewise, the collection of taxes would be the responsibility of a single unit rather than having different taxes collected each by a different office. Checking of tax returns and identifying taxes due from non-filing or non-paying citizens and residents would be combined for all taxes.

The concept of functional organization has only been partially accepted by the MOF. The full adoption of this plan would seriously affect the power, control and interests of many mid- and senior-level managers within the Department of Revenue. Moreover, given the limited financial and personnel resources available to the MOF, some managers may feel that the loss of staff to some new organizational unit will seriously impede their ability to carry out their responsibilities. Thus, for example, the IRS/Tax Administration Advisory Services (TAAS) team won only a temporary success in its efforts to place all internal revenue under a single commissioner. While the Commissioner of Direct Taxation was placed under the Commissioner of Internal Revenue in 1979 at the suggestion of the IRS/TAAS team, his autonomy was restored in 1981. Given the

26

TABLE VII

GOVERNMENT OF LIBERIA
MAJOR TAX REVENUES
FY 77/78 - 83/84
(IN $ MILLIONS)

FY	77/78	78/79	79/80	80/81	81/82	82/83	83/84
DIRECT TAXATION							
Income Tax: Corporate, Partnership & Individual	37.7	49.3	50.8	57.9	63.5	66.7	60.6
Realty Lease Tax	0.9	0.9	1.0	1.0	1.0	1.3	1.3
Subtotal	38.6	50.2	51.8	58.9	64.5	68.0	61.9
INTERNAL REVENUE							
Revenue Estate Taxes	1.9	1.9	2.6	1.9	1.9	2.5	2.5
Motor Vehicle Taxes	2.3	4.3	3.8	2.4	3.8	3.2	3.0
Business/Occupational License	0.9	1.0	1.0	1.1	1.0	1.0	1.0
Commerce Reg Fee	0.4	0.6	0.7	0.9	1.0	1.0	1.0
Business Trade Levy	2.2	3.1	3.7	5.5	7.0	6.2	6.2
General Alcoholic Bev	0.6	0.7	0.6	0.7	0.6	0.5	0.5
Development & Progress Tax	2.3	2.3	1.8	1.1	0.8	0.9	1.5
Subtotal	10.6	13.9	14.2	13.6	16.1	15.3	15.7
CUSTOMS	67.0	79.5	68.1	79.2	74.0	62.8	55.1
MARITIME FEES	12.2	13.5	11.2	12.8	24.1	21.5	18.7
EXCISE TAX (DOMESTIC PRODUCTION)	7.2	8.8	12.7	17.9	22.4	19.5	26.7
IRON ORE & RUBBER	18.2	14.8	19.8	11.5	7.7	4.2	7.5
NATIONAL RECONSTUCTION TAX	--	--	--	--	12.0	15.3	12.8
TOTAL	153.8	180.7	177.8	193.9	220.8	206.5	198.4

26

obstacles, the IRS/TAAS has had to modify its approach and work with the MOF organizational set up as is. The specifics of these reorganizational efforts are discussed below.

c. Cashiering

A principal focus of the project has been improving the security of the cashiering system to prevent leakage of revenue through the issuance of fraudulant receipts. Initially, the project addressed this issue by introducing a locking receipt-writing machine which prevented tampering with receipts. Though this was considered a significant improvement, the then Deputy Minister for Revenue was not satisfied that leakages of revenue were sufficiently curtailed. Under her direction, a single, centralized, automated cashiering facility was created at the MOF which replaced the separate cashiers which existed for different taxes located at various points around Monrovia.

The automated central cashiering system purchased with GOL funds was inaugurated in April 1983. The system consists of a North Star microcomputer with six stations. Input operators record payments on the computer which issues a receipt. All taxes and other payments to the MOF can be made at the same cashier. The Department of Revenue's daily intake by each category of revenue is recorded the same day. The computer hardware was selected by the then Deputy Minister with little input from the IRS/TAAS team. TDY consultants helped design the cashiering system and security measures.

It is generally agreed that the system is more secure than the previous cashiering system utilizing receipt-writing machines though it is not foolproof. The evaluation team heard of several cases of taxpayers being issued handwritten receipts because the automated system was allegedly "down." The system poses several inconveniences for taxpayers. The process of getting the paperwork done and standing in line is time consuming. Moreover, those who must pay fees and duties are obliged to make a trip to the MOF to make payment even though the paperwork may be done at another ministry. This is a particular nuisance for importers who must pay the customs duty at the MOF rather than at the customs office at Monrovia's seaport, as they had done previously. However, there is no evidence that this inconvenience discourages imports or compliance with the payment of duties or taxes.

d. Collections

Collections are one of the most problematic areas in the revenue system. Because Monrovia lacks an effective address system, locating taxpayers and delivering tax bills are difficult tasks. Also, the Department of Revenue has little enforcement power and must resort to the tax court and lengthy litigation to collect from uncooperative taxpayers. In property tax for the last three years, delinquent taxes have averaged $7.5 million, or roughly 80% of property taxes billed. An assessment of income tax audits found that at least 80% of additional assessments (or roughly $11 million over the past three years) is never collected. Based on this data, it appears that only 20% of taxes billed are collected. Thus, efforts to increase tax billings in real estate, audit, etc., can at best be only 20% effective unless collections are improved.

The GOL response to the collection problem has been to form special ad hoc task forces of military and police personnel to crack down on delinquent taxpayers and otherwise stop revenue leakages. The most recent task force was formed in April 1984, and is still in operation. The effectiveness of these task forces has been mixed at best. In some areas collections have been increased. Overall, however, revenues have decreased since the last task force began operations. The task force disrupts normal revenue procedures, inconveniences businesses and undermines the credibility of the MOF's regular tax collectors.

One of the major objectives of the IRS/TAAS functional reorganization strategy has been to centralize revenue collection in one unit. This unit would be responsible for identifying and locating delinquent taxpayers. Presently, each different tax unit (income, real estate, etc.) does its own collection.

The IRS/TAAS team succeeded in establishing a revenue collection unit in 1983 composed of 12 Revenue Officers transferred from other areas within the Department. The Revenue Officers were trained by the resident IRS/TAAS advisors and began operation in May 1983. However, the Revenue Officers were frequently diverted to other duties and, on average, only a minority were able to work on collecton at any one time. Nonetheless, the IRS/TAAS team was pleased with the performance of the Revenue Officers. Over the period of May to October, 1983, the Collection Unit was assigned 152 cases of delinquent taxes or other payments due the GOL. The unit was able to close 74 cases and collect $980,243 in overdue payments, 99 percent of this being delinquent income taxes.

Unfortunately, the unit was disbanded in October, 1983. The then Deputy Minister had not been highly supportive of the new unit. In part, this may have reflected the opposition of the Commissioners of Internal Revenue and Direct

29

Taxation who not only lost some of their responsibilities to the new unit but also a dozen members of their staffs. When the Deputy Minister was required to assign staff for a special tax drive ordered by the Executive Mansion, she decided to assign the newly trained Revenue Officers to the task which effectively terminated the unit.

The current Deputy Minister who assumed the office in March 1984, supports the idea of a Collections Unit. However, before he was able to reestablish it, another special military/police tax collection task force was created at the order of the Executive Mansion. Until the Special Task Force is disbanded no further action can be taken in creating a Collections Unit.

e. Taxpayer Audit

The Office of the Chief Auditor conducts all audits of tax returns, principally income tax returns. Previously, only "field" audits were made of major establishments. These audits are often conducted as a full scale financial audit. The IRS/TAAS team has introduced the concept of the "desk" audit for smaller taxpayers (under $100,000 income) using tax auditing techniques that do not entail financial auditing.

The Desk Audit Unit was established in January 1983. Training was provided by an IRS/TAAS TDYer. Desk audits began in April, 1983. Between April and December, 1983, the Desk Audit Unit completed 297 audits producing additional assessments of $191,015. In the first nine months of 1984, 328 audits have been completed totalling $236,391. The largest assessment in 1983 was $6,390 and most assessments are under $400. The direct impact on desk audits on revenue collection, thus, is minor. However, it should be noted that the principal objective of audits is not to assess additional taxes but to encourage greater compliance.

One area that has not received a good deal of attention so far in the project extension has been field audits. Field audits have traditionally been a source of substantial additional assessments and theoretically should have a major impact on compliance by major corporations. The one TDYer who examined the field audit unit found several deficiencies in its procedures or, more accurately, a lack of standardized procedures. In particular, she found that, while field audits produce additional assessments of $4-5 million each year, only 15-20 percent of these assessments made since 1979 had been collected. Many unpaid assessments did not appear on the delinquency lists prepared by the billing section. The

TDYer also found that many audits were protested. In many cases, the original assessment was reduced though no reason for the reduction had been documented in the files. The consultant also found that there were no standardized procedures for reviewing and appealing audits. MOF officials have also expressed reservations about the quality of field audits and their ability to hold up against scrutiny and appeals by those facing additional assessments. The Deputy Minister has stated that field audits to date have concentrated too often on the same firms while ignoring other firms (or whole industries) altogether. Some private businessmen have also complained that they are continually audited every year while other businesses are ignored. The lack of standardized procedures and skewed coverage of field audits diminish the audits' impact on compliance. Also, the IRS/TAAS team has advocated that the field auditors change their techniques from essentially a financial audit to a true tax audit. The Chief Auditor, presently attending short-term training in the U.S., is reportedly sympathetic to such a change.

f. Internal Audit

During the project extension period, the IRS/TAAS team sought to revive the function of internal audit. An Internal Audit Unit had been established in 1982 reporting directly to the Deputy Minister. The unit developed several significant findings in the course of audits. However, the unit came under intense political pressure because of the sensitivity of the areas it was investigating. Several staff members resigned and the then Deputy Minister allowed the internal audit function to lapse.

The present Deputy Minister has reestablished the internal audit function with the assistance of the IRS/TAAS team and a TDY advisor. The advisor prepared an operating statement for the new unit, wrote job descriptions and conducted training courses for 12 internal auditors and inspectors as well as on-the-job training. However, the Deputy Minister did not approve the recommendation of the IRS/TAAS team that the internal auditors be autonomous, reporting directly to the Deputy Minister. Instead, the internal auditors have been placed within the Investigation and Enforcement Office which reports to the Commissioner for Internal Revenue. It was argued that the unit would be less vulnerable to political pressure than if it reported directly to the Deputy Minister who is a political appointee. Also, the unit would be in direct competition with the Anti-Fraud Unit operating under the MOF's Deputy Minister for Administration. However, the unit's location under a commissioner limits its independence and circumscribes its mandate, thus, diminishing its impact.

g. Real Estate

The establishment of an effective real estate tax system has been a principal focus of the project since its inception and a cadastral survey has been a major task. A long-term advisor on real estate has been in the country for nearly six years. At present the cadastral survey of the Monrovia area is about 75 percent complete. The number of individual entries of real estate properties has increased from 13,000 to 30,000. Some valuers have been trained in other urban areas but a program to survey all real estate in these other urban areas as planned in the project extension has been postponed indefinitely.

Progress in real estate collection during the period being evaluated has been limited. The real estate advisor's role has been expanded to include organization and methods for all internal revenue areas. Also, as there has not been a long-term computer advisor as planned (see Section IV.A.2.a below), the real estate advisor has also worked in the automated data processing areas as well. The staff and resources of the Real Estate Unit has been frequently diverted to other tasks on an ad hoc basis. The survey teams have had problems in securing transportation. The survey has come to a complete hault since the inception of the latest Special Task Force on tax collection. Also, the real estate unit has been unable to bill all the taxes it assesses because of lack of manpower. In 1983, it billed only 50% of its accounts. As of October 1, 1984, it has billed only 12%. Its collections have also been low.

Several major tasks remain including completing the cadastral survey, and automating billing procedures and files (see Section IV.A.1.j below, on automation). These tasks should be completed before the departure of the present advisor. Otherwise, the investment made to date in the system may be lost. Any additional major investment in real estate tax (e.g., in surveying other urban areas) would not seem merited. Real estate does not represent a major share of revenue. The annual total real estate tax assessment for Monrovia is estimated at only $6 million. The MOF believes that properties are undervalued and assessments should be much higher. Nonetheless, if revaluations were to increase assessments by an average of 50 percent (and 100% of these were collected), this would represent only a $3 million increase. A 5 percent increase in income tax through greater compliance could produce an equal sum. Thus, a revaluation campaign, while worth doing, does not merit top priority. It should be undertaken over an extended period without a diversion of resources from other tasks.

h. Outstations

There are 26 revenue outstations collecting internal revenue and income tax. Together, they account for 5% of GOL internal revenue. During the evaluated period, the IRS/TAAS team developed a reorganization and training plan for revenue outstations. The plan was given a trial run at Buchanan during June through August, 1982 (thus, the new system has been dubbed the Buchanan Uniform Revenue Procedures (BURP). The main feature of BURP, aside from its comprehensive training plan, is the reorganization of outstations along functional lines, most notably the centralization of collections in one unit. In this sense, the IRS/TAAS advisors view the BURP program as an opportunity to demonstrate the effectiveness of the functional reorganization that they have been advocating for the Monrovia operations.

The IRS/TAAS team was pleased with the outcome of the BURP experiment in Buchanan and credit it with a 23 percent increase in receipts over two years (though it is difficult to discern the project's impact on receipts from that of external factors). During a field trip to Buchanan, the evaluation team found the principal feature of BURP, the collections unit, still functioning. However, some procedures introduced by the IRS/TAAS team have lapsed, in part because of the turnover in staff. It is planned that BURP will be extended to the other outstations during the remaining period of the project. Outstation facilities and resources were also to be upgraded during the project extension by the provision of transportation and communications equipment. Implementation of this has been delayed because of problems in procuring these commodities (see Section IV.C. below).

i. Training Unit

One reorganization that has been implemented during the project extension is the creation of a training unit. An initial feasibility study was undertaken by an IRS TDYer. The chief of the MOF training unit was then sent to the U.S. to observe IRS in-service training. Finally, two IRS TDYers are presently in-country to train MOF personnel as instructors. Instructors will be drawn from various units to perform training in their technical specialty. The training unit itself will consist only of training coordinators and a "lead" instructor who will help design training courses and develop training materials. Thus, the training unit will have the flexibility to provide in-service training for every unit within the Department of Revenue (including Customs). This unit should be supported in any further extension to the project.

j. Automated Data Processing

A major objective of the project extension is the introduction of automated data processing (ADP) in the Department of Revenue's operation. This ADP system would allow the MOF to

-- Computerize and update master files for various taxes and fees;

-- create an integrated billing system that would result in an account reflecting all taxes and fees owed by a taxpayer;

-- produce consolidated delinquency lists; and

-- compare rolls for various taxes and fees with each other and with other lists available to the Government to determine non-compliance.

An effective ADP system would alleviate several problems. If properly secured, it would reduce leakages by employees tampering with files. It would reduce losses of revenue from files being misplaced or misfiled. Producing bills, a major bottleneck in the Real Estate Division because of lack of manpower, could be done automatically. Most importantly, cross referencing files from one tax roll to another would be a powerful tool for identifying taxpayers who fail to pay one tax or another. Non-compliance by those who fail to file a tax return may account for most of the GOL's lost revenue. Also, the ADP system could produce a single delinquency list to be used by a central collections unit. Thus, an effective ADP system would offer a very powerful tool in the two most important areas for increasing revenue: compliance and collections.

Progress in this area has been slow. IRS/TAAS initially was not convinced that an ADP system would be feasible given the MOF's limited human resources in the area and the environmental conditions under which the equipment would have to operate. As a pre-condition to the assignment of a long-term ADP advisor, an ADP TDYer examined the MOF capabilities and the operation of the computerized cashier system. The TDY advisor found that the MOF's capabilities were marginal and equipment maintenance quite inadequate. However, he judged that, given the importance of the ADP program, it should proceed in spite of these obstacles. However, IRS/TAAS has not been able to

34

identify a suitable long-term ADP advisor willing to take the assignment. A series of four ADP TDY's have been provided instead. In the interim, the Organization and Method/Property Tax advisor has also worked on the ADP system. This has not been an effective alternative to a long-term advisor (see section IV.A.2. below on project inputs).

Despite the lack of an ADP advisor, the MOF has shown considerable initiative in setting up an ADP system with its own resources. However, the GOL has also had problems supporting this component. Originally, it contracted with a local firm (at GOL expense) to provide hardware, software and maintenance for the microcomputer system that was initially to be used for the automated cashiering system. The hardware consisted of Northstar CPU's and video displays and various ancillary pieces. Other Northstar equipment, including several "Advantage" personal computers, was later purchased for a national identification card scheme. The equipment was installed but its performance and that of the local service agent were not wholly satisfactory to the MOF and the service firm eventually closed. A Nigerian-based firm was then hired to computerize the master file of real estate rolls (again at GOL expense). These files are to serve as a test case for the computerization of all master files in a comparable format. However, this company completed only half of the entries before abandoning the project. Some problems have been identified and the program may have to be rewritten and the data re-entered.

A very substantial amount of work still remains in the ADP area, the efforts of four IRS/TAAS TDYers and the Department of Revenue's own initiatives notwithstanding. The present hardware system, while far from ideal in the judgement of the ADP consultants, is probably adequate for the MOF's needs and capabilities over the next two years. Much of the equipment must be rehabilitated and a maintenance program must be developed by the MOF in consultation with the ADP advisor. The MOF also needs to develop an in-house ADP staff. Up to now, the Ministry has relied largely on contractors who have imparted little of their knowledge to MOF personnel and have not documented their work, making it difficult to utilize the systems developed once the contractor leaves. At present, the MOF's ADP staff consists of one parttime employee. The Ministry will need to establish a full-time staff drawn from subject matter specialists of the various revenue units that will utilize the system. Also, the mid- and senior-level managers that will use the ADP unit's product must be involved in developing the programs. On the AID side, it is imperative that a long-term ADP advisor be hired as soon as possible, either through the IRS/TAAS PASA or a personal services contract.

Computerizing the real estate files and billing is the first task of the ADP advisor and should be easily completed if the full-time advisor position is filled. The other tasks originally identified by the project extension -- an integrated billing system, consolidated delinquency lists, cross references between various different tax rolls -- will take considerably more time and will require further extension to the project to complete. Also, the MOF will have to develop a unique taxpayer number for each taypaying individual and entity. At present, Liberia's national identification card scheme affords a system for assigning numbers to individuals. This system would have to be expanded to include partnerships and corporations as well.

k. Taxpayer Compliance

There are no accurate estimates of the number of persons who avoid taxes through simply never registering a business, etc., or not filing an income tax return. However, it is the opinion of many that failure to file, particularly in income tax, is probably one of the most prevalent and lucrative means of tax evasion.

Income tax represents almost 80 percent of GOL internal revenue. By law, entities (individuals, corporations, etc.) with over $1,000 annual income are required to file a tax return. In calendar year 1981 only 4,068 returns were filed and this number decreased to 3,200 in 1982. The number of returns has remained stable since then. These figures are misleading as most salaried workers pay income tax through payroll deductions. Indeed,m probably few even among the staff of the Department of Revenue bother to file returns since their income tax is withheld (and they assume that they will receive no refund). However, the outside income of salaried employees -- which may be considerable as many small enterprises such as shops and bars are owned by people who work for government or some corporation -- is never taxed. Also, no accurate estimate can be made of independently employed persons who do not file but it is probably substantial.

The project has had only very limited impact in this area since the 1982 amendment. The IRS/TAAS team has not worked directly with the Commissioner of Direct Taxation who oversees income tax for reasons that are discussed in the following section of project inputs. Moreover, the most useful tool that could be used to identify non-filers -- an ADP system which allows master files of different taxes to be compared -- has not been implemented yet. However, an ADP system is not essential to enforcing greater compliance and the Department of Revenue could ensure greater compliance if it is so desired.

34

l. Management and Administration

Virtually every manager in the internal revenue and taxation at the assistant commissioner level or above has received training or is scheduled for training in management and administration through either the University of Southern California course on tax administration or the IRS's own internal mid-management course, INTAX. An Association of INTAX Managers has been established as a mutual support group for INTAX course graduates to help them apply their training to the situation in the Department of Revenue. Other management tools have been created such as the daily cashier reports which itemize all revenue receipts for the day by type of tax, duty or fee.

One management tool which is lacking is accurate statistical data on the tax base. Without this data it is virtually impossible to judge the performance of the Department (or the project itself). No accurate estimate of the compliance rate can be made for any tax nor can changes in the amount of revenue collected be accurately attributed to changes in the department's procedures or external factors such as changes in the level of economic activity. Without this data, managers have little way of determining what is working and what is not. This area has not been given priority by MOF despite the urging of the IRS/TAAS advisors. At present, there are no plans to develop this baseline data.

m. Other Planned Outputs

The 1982 project extension design calls for project activities in several additional areas -- the design and production of new tax forms, a public information campaign and a motor vehicle registration enforcement drive using wheel boots to immobilize unregistered vehicles. For a variety of reasons these activities were not undertaken.

After approval of the project extension, AID legal consul determined that wheel boots were law enforcement equipment which AID is prohibited from procuring. As the GOL did not have funds to purchase this equipment, the vehicle registration campaign was dropped.

No major effort was made to undertake a major public information campaign. While such a campaign would be useful, it was judged to be a low priority which could not be accommodated given the limited resources of the project. Likewise, developing new forms has not been a major preoccupation during the project extension. New tax forms had been developed earlier in the project and these were judged to suffice. Some new forms were developed for internal use in establishing new operations of units (e.g. desk audit forms, real estate billing receipts, computerized cashiering receipts and forms).

2. Inputs

a. Long-term Advisors

The 1982 project extension called for a three-person team of long-term IRS advisors consisting of a Management/Collections Consultant (also team leader) for 34 person months, an Organization and Methods/Property Tax Consultant for 31 person months, and a Systems Analyst for 27 person months. The first two positions are extensions of existing positions and were filled by the incumbents who extended their tours of duty. The Systems Analyst is a new position and IRS/TAAS has yet to fill it.

Given the circumstances under which they have to work, the two long-term advisors have been effective. However, several factors have impeded the team's progress. One of the decisive factors has been the team's relationship with the Commissioners of Internal Revenue and Direct Taxation. While the team most often works on a day-to-day basis at the deputy commissioner or assistant commissioner level, it usually reported directly to the Deputy Minister for Revenue. This, in part, was a reflection of the management style of the previous Deputy Minister. The result was poor communications with the commissioners who had little understanding or appreciation of what the IRS/TAAS advisors were doing. An effort has been made to more closely involve the commissioners in drawing up the workplan for calendar year 1984 which seems to have improved the team's working relationship with the Commissioner of Internal Revenue. Also, the present Deputy Minister has also instituted regular staff meetings to keep all parties abreast of developments.

For the most part, the IRS/TAAS advisors have worked under the Commissioner of Internal Revenue and have had only limited contact with the Commissioner of Direct Taxation. This apparently was largely due to the lack of interest of the Commissioner of Direct Taxation in having advisors work in his office. The Commissioner of Direct Taxation is responsible for income tax which accounts for 80% of the internal revenue collected. Thus, the IRS/TAAS team has had little opportunity to work on income tax compliance which is potentially the most important area for increasing collections.

The failure to recruit a Systems Analyst has also been a major constraint of the IRS/TAAS team's work. The Systems Analyst was to be responsible for automated data processing and the establishment of master files, an integrated billing system and a consolidated delinquency list. The IRS has sent out five ADP advisors on short-term TDY who were potentially candidates for the long-term position. (This includes the initial TDY which investigated if an ADP system would be feasible.) Of these five TDYers, three turned down the long-term assignment, one was deemed unsuitable and one is still in country on TDY. Apparently, IRS has been hard pressed to locate suitable ADP experts from its staff because of the present demand for such personnel for its own automation tasks. Though IRS/TAAS is permitted to fill the slot with a person who is not a regular IRS direct hire employee, it chose to send only one non-IRS candidate, a GSA employee, who turned out to be unsuitable.

The use of TDY assistance has not been a satisfactory substitute for a full-time ADP advisor. A good deal of time seems to have been devoted by each TDYer to learning and evaluating the existing computer equipment and software as well as local maintenance and operation capabilities. Also, the Organization and Methods/Property Tax consultant has devoted a portion of his time to overseeing ADP work while no TDYer was in country.

b. Short-term Advisors

Short-term technical assistance has been provided in four areas:

ADP - As discussed above, there have been five TDYs in computerization including one which is ongoing. The four TDYs that have been completed totalled 178 days.

Taxpayer Audit - Two TDYers were provided for a total of 105 days. One helped establish and train the desk audit unit. The other reviewed field audit procedures.

Internal Audit - One person was provided for 45 days to help reestablish the Internal Audit unit, train employees and managers, establish organizational structures and write workplans and job descriptions.

Training Unit - One TDY of 35 days was provided to conduct a feasibility study for the Department of Revenue's training unit (in conjunction with the U.S. Customs advisory team). Presently, two TDYers are in-country to "train trainers" for the unit.

In general, the IRS/TAAS TDYers have been effective and have worked well with the IRS/TAAS long-term advisors and Liberian counterparts. The only notable exception is an ADP advisor who was sent home early. The TDY assistance has been used appropriately and seems to have been a useful complement to the long-term advisors. Again, the ADP area is an exception in that the short-term advisors are not an adequate substitute for a long-term advisor.

c. Training

Under the project 30 mid-level management personnel have been sent for short-term overseas training, either to University of Southern California's short-course on tax administration (7 participants) or IRS's own INTAX course for managers (27 participants) or both (i.e., four participants have attended both). (See Table VIII.) Seventeen of these have been sent during the project extension. By the present PACD, virtually all internal revenue and taxation managers down to the assistant commissioner level will have received overseas training.

It is hard to assess the impact of training on the performance of the Department as most participants are just recently returned or still in training. It should be noted that most of those who have been trained are still within the Department of Revenue and some have been given new assignments with greater responsibilities. The IRS/TAAS team believe them training has had a positive impact on project implementation. Training has provided the advisors and counterparts with common reference points in discussing improved management techniques. Also, the IRS/TAAS team has defended the large number of participants by noting that these numbers provide for mutual reinforcement among trainees when they try to apply their learning to the Liberian context. Mid-level managers have shown interest in maintaining a mutual-support network through an alumni association of INTAX graduates.

It should be noted that by the end of the project, management training will have reached the saturation point within internal revenue and taxation. Training during any extension phase should concentrate on in-country training, especially of lower-level personnel.

d. GOL Inputs

Several factors have hampered the GOL's full participation in the project. An obvious one has been the GOL's fiscal crisis. While the project paper extension called for the GOL to rehabilitate or construct five revenue outstations, it

TABLE VIII: Internal Revenue and Taxation Participants

LIBERIA INTAX

DATES	NAME	POSITION PRIOR	AFTER	[illegible]
1980	Junis L. Gailor	Director Real Estate	Resigned	N/A
1980	Molley N. Gray	Director of Inspection	Commissioner of Internal Revenue	Benjamin Karmo, Asst. Ministe.
1980	Daniel N. Solee	Asst. Director of Motor Vehicle	Director of Misc. BTL	Molley Gray, Comm.Int.Rev.
1980	Ralph Tarpeh	Deputy Comm. Income Tax	Supervisor Desk Audit	Ed Sambola
1980	Elaine Wilson	Deputy Comm. BTL	Departed Ministry of Finance	N/A
1981	Roland L. Bedell	Supervisor, Income Tax	US - Graduate Study	Molley Gray, until departure
1981	Thomas Bonney	Director, Motor Vehicle	Deputy Commissioner of Customs	Francis Keleekai, Comm. Customs
1981	Alan N. Korlison	Deputy Director	-	Molley Gray, Comm. Int. Rev.
1981	William M. Kromah	Director, Real Estate	Resigned	N/A
1981	C. Nah-Toe Krote	Deputy Chief Auditor	Same	Auditor
1981	Benedict P. Wilson	Deputy Commissioner	US - Graduate Study	Molley Gray until departure
1981	Eric N. Cooper	Deputy Director, Real Estate	Director Motor Vehicle	Molley Gray, Comm. Int. Rev.
1981	Benedict G. Yormie	Deputy Cashier	-	Molley Gray, Comm. Int. Rev.
1983	John B. Johnson	Collector of Revenue	Same	Samuel Goll, Asst. Comm.Outstat
1983	W. Nippy Jackson, Jr.	Dep. Asst. Comm. Inspection & Enf.	Same	Thomas Fahngon, Asst.Com.Insp.&
1983	Isaac D. K. Sepoe	Collector of Revenue	Supervisor, BTL	Daniel Solee
1983	Elijah W. Nyenpan	Collector of Revenue	Same	Samuel Goll
1983	Edward A. Nuah	Senior Rural Valuer	Same	A. Kennedy, Chief Val, R.E.
1983	Arthur B. Yeannie	Collector of Internal Revenue	Same	Samuel Goll
1983	Andrew N. Saytue	Senior Inc. Tax Office	Same	Johnny Gaye, Comm. Income Tax
1983	Arthur G. Gomah	Staff Asst. to Dep. Min. for Revenue	Same	Henrietta Koenig, Dep. Min. Rev
1984	Benjamin Karmo	Asst. Minister for Revenue	At course now	Peter Bemah. Dep. Min.for Rev.
1984	Edwin Sambola	Chief Auditor	At course now	Peter Bemah, Dep. Min for Rev.
1984	Peter Jallah	Director Anti-Fraud Unit	At course now	Lindsay Haines, Dep.Min Adm.
1984	Thomas Fahngon	Asst. Comm. Inspection & Enforcement	At course now	Molley Gray, Comm. Int. Rev.
1984	Solomon Edwards	Asst. Comm. Income Tax	At course now	Johnny Gaye, Comm.Dir.Taxes
1984	Ishmael Brown	Asst. Dep. Comm. RETD.	At course now	Joseph Cole, Dep. Comm. RETD
	USC TAX INSTITUTE			
1983	Zoe Massaquoi	Asst. Superv. Desk Audit	Same	Ralph Tarpeh, Dep. Com. In.Tax
1983	Sampson Walker	Supervisor, Collection	Tax Auditor	Zoe Massaquoi, Asst.Sup.Desk Ad
1983	William Dickerson	Internal Auditor	Same	Henrietta Koenig
1984	W. Nippy Jackson, Jr.	Dep. Asst. Comm. Inspection & Enf.	Same	Thomas Fahngon, Asst.Comm.I.&E.
1984	Peter Jallah	Director Anti-Fraud Unit	At Intax course now	Lindsay Haines, Dep.Min.Admin.
1984	Thomas Fahngon	Asst. Commissioner Inspection & Enf.	At Intax course now	Molley Gray, Comm. Int. Rev.
1984	Daniel Solee	Director Miscellaneous Tax	At course now	Molley Gray, Comm. Int. Rev.

has not had the funds to undertake this. Likewise, the personnel hiring freeze has meant that personnel needed to staff some new activities undertaken by the project (e.g., training unit, ADP) have usually had to be diverted from other offices which are reluctant to let such personnel go. Several project activities have come to a halt because of the diversion of personnel or other resources to other activities -- the revenue officer program and the present hiatus in the cadastral survey being cases in point. Likewise, some recommendations by the IRS/TAAS advisors, particularly in the area of reorganization, have not been implemented because of their political ramifications or their effect on the interests of groups within the MOF.

B. Department of Customs and Excise

1. Outputs

a. Summary of Organization and Functions

The Customs advisors have been working on a plan to change the current organizational structure in an attempt to assign responsibilities for selected, key officials. The advisors posit that the assignment of responsibilities should then lead to greater delegation of authority, and increased accountability which will cause the Customs Service to run more efficiently and be able to capture a higher percentage of due revenues.

Annex I shows the current organizational chart of the Liberian Customs Service (LCS). This is not a formal chart in the sense that it has been prescribed by law; instead, it is a chart derived by the advisors from discussions with senior LCS officials.

Annex II shows the organizational chart as proposed by the advisors. While this chart had been approved in July 1984 by the Commissioner of Customs and the Deputy Minister of Finance for revenues, it has yet to be incorporated into the system and is still awaiting budget approval.

Although this new organizational chart had been approved by the Deputy Minister and the previous Commissioner of Customs a new commissioner has just recently been appointed. While this new commissioner recognizes the need to formally define the organization, he prefers to first assess the programs and personnel before he approves this reorganization.

Upon inspection of the proposed new organizational chart, Appendix II, the lack of detail becomes apparent. Our concern here is that without much more elaboration there is nothing to support this reorganization. On its present form it appears to be wholly inadequate and certainly inferior to the current informal organization outlined in Appendix I.

There are 656 people assigned to Customs and Excise. These people are assigned to the following locations:

	Total Personnel
Ministry of Finance	106
Freeport of Monrovia*	326
Roberts International Airport	46
Port of Bo	14
Port of Buchanan	17
Port of Greenville	15
Port of Harper	17
Port of Mendicorma	37
Port of Yella	13
Port of Butno	14
Port of Loguatno	29
Port of Toe Town	15
Port of Jowali	7
Total	656

* Includes Bonded Warehouse Officer

b. Seaport

At the seaport U.S. Customs has been focusing on activities in the following areas: 1) manifest control, 2) customs warehouse and 3) classification and valuation. These are each discussed below.

1) Manifest Control

At the seaport, where the current manifest system clearly could use some improvement and where increased control over cargo might enhance revenue collections, the complexity of implementation is great. Some cargo comes into the port for transshipment, never entering the Liberian economy. Other goods are off-loaded without being listed in the ship's manifest. Improvements here should help generate increase in revenue collection.

The purpose of improving the manifest control system is to give Customs greater paper control over entered goods. An improved manifest system in theory will help Customs to keep track of all goods entering the port for either transshipment to other countries or for final local consumption. The improved manifest control system will assure that all goods actually landed will have been manifested or added to the manifest by amendment. Once the goods have landed the manifest control system will keep track of the goods, whether they enter a port warehouse awaiting entry, enter a bonded warehouse awaiting local consumption, or are transshipped or consumed locally.

The C&V advisor has been discussing with the National Port Authority (NPA) the possibility that NPA train Customs officers to be tally clerks. The purpose of this training is to provide a check against the manifest as presented by the ship master. According to the Revenue and Finance Law of Liberia, the 1977 Act as amended in 1982, the ship's master is required to turn over to Customs an outturn report, correcting any errors in the original manifest and, upon the request of the Customs Officer, copies of the relevant tallies taken at the time of landing. Since these tallies are available upon Customs request, there is no need to train LCS people to be tally clerks.

The U.S. Customs advisors have still not been able to implement the new manifest system at the seaport although they do have a developed plan. However, to make the proposed manifest system effective, the LCS needs a warehouse to hold overlain, unclaimed or illegal goods.

2) Customs Warehouse

It was evident to U.S. Customs from a TDY'er in 1983 that a Customs warehouse would be an important component to successful customs management. Despite this initial recognition, the LCS and the NPA more than 2 years later, are still negotiating an agreement for the warehouse. When an agreement is reached, time and money will be needed to rehabilitate the building.

According to the U.S. Customs team, the effectiveness of the new manifest system would be substantially reduced without LCS having a warehouse at their disposal.

3) Classification and Valuation

The pre-entry review system, introduced by the advisors is a first step in instituting the import specialist/commodity team concept in entry processing. The pre-entry review is undertaken by checking the math calculated by the importer which figures the amount of duty to be paid on an item. This pre-entry review takes place before the ship is off-loaded and so facilitates the importers' work and documentation.

44

The import specialist/commodity team system introduced by the advisors assigns responsibility for assessing the value of imported goods by class of goods to different teams of commodity specialists. A commodity specialist team would be responsible for a particular type of commodity, say machinery, instead of each officer being responsible for every type of commodity entering the port. The idea here is that the team members would be able to gain expertise in valuing the commodities for which they are responsible. This would facilitate entries and better ensure that the tariff be imposed properly.

c. Airport

The basic improvement at the airport is the new manifest control system and the proposed classification and valuation system. Other changes are: helping design a new uniform for Customs officers, new time record system and intervention regarding the design of a new Customs building. (The airport advisor estimates that, currently, just about all the proper revenue is being collected.)

1) Manifest Control

Manifest control was established in the fall of 1983 at the airport, i.e., airline manifests are now filed according to the date of the flight. This then allows LCS to more easily cross off the manifest any entries that are presented for payment of duty.

Manifest control at the airport is quite similar in purpose to manifest control at the seaport. However, since a manifest at the airport is generally a much smaller document, entailing the import of less goods, and since an air manifest can usually be closed out in a few days, this is not as difficult a procedure to implement.

The manifest control system that has been implemented at the airport is working. When the team asked to see a manifest from a particular flight from a particular day the manifest was quickly produced. From this manifest we could easily ascertain what goods had been entered and what goods still were awaiting entry. Also from this manifest we saw how much these entered goods were worth, whether or not they were dutiable, and how much duty was paid. Clearly, this manifest control system does give Customs a degree of paper control over landed goods.

2) Classification and Valuation

The airport advisor informed the team that C&V implementation at the airport would be much simpler than at the seaport. This is mainly for two reasons: number of goods entering through the airport is considerably less than the number entering through the seaport, and the number of types or classes of goods entering through the airport is considerably less. The advisor informs us that because of the relatively simple operation at the airport C&V could begin without any formal training.

Classification and valuation procedures were to have begun October 9, 1984 at the airport but, as of this writing, they have not.

d. Outstations

Two members of the evaluation team visited one Customs Outstation, the Port of Buchanan. This port is managed by the LAMCO Mining Company (LAC), one of Liberia's foreign concessions, and operates in a fairly simple and efficient manner. Most of the commodities imported through Buchanan are destined for consumption by the international concessions, i.e., Liberian American Mining Company (LAMCO), LAC and Firestone; hence, bear no duty. Here, Customs' job is rather simple, the imposition of consular fees. Customs rarely, if ever, verifies the contents of any containers. Consular duties are paid by check and are mailed to Monrovia.

While the Buchanan operation is a simple and well run operation and is also the third largest Customs operation, it is only one of many outstations.

One of the U.S. Customs advisors took a trip to about all the other Customs outstations. Commodities, as covered in section III.C. have been ordered for these outstations. Aside from this trip and the ordered commodities nothing else has been done regarding the Customs outstations. The U.S. Customs team felt that since total outstations revenue amounts to only 3 percent of total revenue, that should receive a low priority.

In the U.S. Customs team's workplan for the final year of the project extension the area of outstations is addressed. U.S. Customs states that while these outstations contribute on a minor portion of overall Customs revenue, they are an integral part of the LCS's overall program in terms of border enforcement and passenger processing.

2. Inputs

a. Customs Team Management

The U.S. Customs (USC) team has been plagued with management problems. Some of these problems were: 1) no work plan had been submitted during the early months of the project, 2) assignments among advisors were made without being adjusted to account for changing requirements, 3) too many resources have been expended on the Robertsfield operation (25% of the team's resource allocated to Robertsfield although revenues generated there account for only 3% of all customs revenues collected, versus allocation of only 25%-50% of the team's resources to the seaport where approximately 95% of customs revenue is collected) and 4) Customs management has not given sufficient guidance to USC advisors.

After persistent complaints by USAID as to all the management problems (lack of reporting, lack of supervision, etc.) U.S. Customs/Washington took quick and decisive action by replacing the original COP with a new one. Generally, USAID feels that this was a very positive move and was impressed with the swiftness of action on the part of U.S. Customs/Washington.

The Customs advisors have not had a good understanding of the project's purpose, increasing government revenues for stabilization of the budget. Instead, their efforts have gone into enhancing the image of customs, facilitating smoother processing of importation and documentation and attempting to improve the control exercised by Customs over goods that have come into the ports.

One management problem has been the lack of baseline data. Without these data, it is nearly impossible to ascertain what improvements in revenue generation have taken place or to identify those areas most ripe for taking actions to improve revenue collection.

Good, substantial information has been difficult to come by. The team was informed by USC that bonded warehouses do not actually require a bond. Upon further investigation the team found out from both business people and LCS officials that bonds are indeed required. These bonds are actually quite costly to businessmen. A bond may be posted by a bank for $350,000.00 for which the businessman pays 2.5% per quarter service charge.

According to Liberian Revenue Law, a ship's master is required to provide LCS a copy of its tally reports upon request. These tally reports are done by several agents, including Lloyds of London, the shipping line's agent, and the NPA. These tallies are compared and reconciled and then given to the ship's master. Then the ship's master must give a copy to LCS if requested. The evaluation team was informed by a local agent of a shipping line that these tallies are routinely given to LCS. LCS maintains that they do not receive these tallies and therefore needs training in tallying. The team feels that USC advisors should review the conflicting data before undertaking training in tallying.

Upon the first visit to the seaport the team was informed by the seaport advisor that ship masters do not provide LCS with amendments to the manifest nor with outturn reports. Upon a second visit by one member of the team the wharfinger stated that indeed LCS receives both the amendment to the manifest and the outturn report.

After meeting with the private sector and with top officials in LCS it became apparent to the team members that one area where great leakage in revenues may be occuring is in the bonded warehouses. This opinion was shared by the Commissioner of Customs. Based on the above concern, USC changed the status of the warehouse review from low priority in late FY 85 to high priority now.

Many management problems are being dealt with now. A new work plan for the coming year with some good and workable ideas has been submitted, data collection and data collection workplans have begun or are soon to be initiated, the current management is trying to get the individual advisors to better coordinate their efforts and to see the broader purpose of the project.

b. Long-term Advisors

In the PASA, U.S. Customs was expected to provide the following advisors: 1) the team leader/outstations consultant; 2) seaport consultant, 3) airport consultant; and 4) classification and valuation (C&V) consultant.

In June 1984, the PASA agreement was amended to reflect the activities being undertaken by the U.S. Customs advisors. The PASA was amended to combine the duties of the classification and valuation consultant with the duties of the seaport consultant. The PASA amendment also replaced the seaport consultant with a management consultant (the tour of the original seaport consultant was terminated early by internal agreement of USAID and the consultant). Now, according to this amended PASA the four U.S. Customs advisors are: 1) team leader/outstation specialist; 2) classification and valuation specialist/seaport specialist; 3) airport specialist; and 4) management specialist. The problem, however, is that defacto the team leader/outstations specialist and the management specialist were combined. Now we have a team leader/management specialist and a team leader assistant/outstations specialist. These are de facto changes although there has not been another PASA amendment. These team members are each discussed below:

Team Leader/Management Specialist is responsible for the supervision of the rest of the Customs team and the maintenance of vehicles. He also is responsible for acting as the team's liaison officer with USAID and LCS. This includes writing reports, submitting vouchers and normal team leader activities.

As the management specialist, he is also responsible for writing and designing a new policies and procedures handbook for LCS. He intends to implement this part of the project as well as making other management type recommendations during this coming year.

Assistant Team Leader/Outstations Specialist is responsible for assisting the team leader in his duties. He also acts as liaison between MOF and the rest of the U.S. Customs consultants. This involves travel to the airport, seaport and MOF. The specific results of these trips are not documented in the files.

As the outstations specialist, he traveled last year to all the rural ports to assess the appropriateness of undertaking activities there. Since his trip, there has been no subsequent activity.

According to the team leader, the assistant team leader/outstations consultant will be assigned special tasks over the next year as well as be required to reassess the outstations' situation.

The Airport Specialist has spent all of his time at Roberts International Airport (RIA), where he has installed a new manifest system, helped in improving inspection and control procedures, undertook activities that led to improvement of physical facilities at the airport, was involved in trying to improve the cashier operations and advised the RIA LCS supervisor in day to day operations.

The evaluation team feels, and the team leader concurs, that the airport advisor has much success in implementing those activities which he has undertaken, however, it is felt that his fulltime presence at the airport is no longer necessary. RIA does not generate a great deal of revenues and there is no indication that much increase in revenues can be antcipated here.

The team leader anticipates having the airport specialist implement administrative-type systems at the MOF, such as those recommended as management and procedural changes and those similar to the changes implemented at RIA. The evaluation team feels that the airport consultant could also be put to use at the seaport where he could assist in implementation of C&V as well as implementation of management/ administrative-type changes.

The team leader and the evaluation team agree that the airport consultant should spend considerably less time per week to ensure the full institutionalization of those already implemented changes.

<u>The C&V/Seaport Consultant</u> has been trying to implement the new manifest system at the seaport, as well as some other procedural changes.

Although this consultant now handles the activities of what had once been the duties of two consultants he does not seem to be overburdened. Much of his work is dependent on what happens beyond his control. Because implementing C&V has been difficult the C&V advisor has not been fully successful. A good deal of the lack of success here is due to the inability to arrange training for C&V in a timely fashion.

The evaluation team feels that the C&V/seaport consultant should spend his time implementing C&V at the seaport, implementing the new manifest control system, implementing other procedural changes at the seaport similar to those implemented at RIA, looking into the liquidation of entries process (liquidation of entries refers to the final closing out of an entry/withdrawal file and has been identified by LCS officials as an area suspected of not generating proper revenues) and undertaking informal training.

The advisors maintain an especially good rapport with their counterparts. Their counterparts speak highly of them and feel they make a contribution to the LCS by enhancing prestige and boosting morale.

The evaluation team feels that if the team leader submitted a workplan for each team member to USAID explicitly indicating what is to be expected from each team member, that this would greatly help give direction to the team members.

50

c. Short-term Advisors

1) Airport Impact Team

The airport impact team receives mixed reviews. Most of the reports written by this team were concerned with improvements of the physical facilities. Many of these recommendations were carried out under the guidance of the airport consultant.

Of the reports of the impact team, only one, that of the classification and value advisor, addressed the need to increase revenue collections. This report recommended several ways that LCS could increase revenues in the short run. Some of the recommendations made were:

a) A service charge should be collected in the event that Customs would continue to prepare consumption entries.

b) Unmarked containers and packages, i.e. containers not bearing prescribed marking showing the country of origin and the nature of the article, should be made to bear a marking duty of 10 per cent of value of the article, as deemed by Part 54.6 of the Revenue and Finance Law. Currently, no duty is charged.

c) Commercial shipments often are included in personal baggage. These shipments generally are not invoiced and so require much work on the part of the Customs officer. The necessary manipulation and documentation should be done at the expense of the importer, but under the supervision of the Customs officer.

d) User fees can be established and collected on the presentation of each entry or withdrawal from warehouse.

While these recommendations are rather straightforward and were pursued by the advisors, the GOL choose not to take action for a variety of reasons.

Because of USAID's dissatisfaction with the performance of the airport impact team, the team was sent home early and a similar impact team on C&V was cancelled.

2) Facilities Warehouse Consultant

A facilities warehouse consultant was brought out to assess the need for warehouse space for Customs' use at the seaport and at Robertsfield. This consultant wrote a report on the size of an appropriate warehouse for the seaport only. This report lacks analysis. It recommends an 8,000 square foot warehouse (should not a warehouse be specified in cubic feet?). Yet, we are never informed by the advisor as to how he came to such a conclusion. The final recommendation made in the report was that we have a warehouse facilities consultant come out and assess the situation.

3) Communications Consultant

A communications consultant conducted a survey of the communications needs of both the Bureau of Customs and Excise and the Internal Revenue/Taxation Office. This consultant's report, called the Payne Report, was deemed by AID to be unacceptable, both on technical and cost bases. The report estimated that the cost of this equipment would come to about $1 million, without installation. USAID then commissioned another report by a personal services contractor, called the Miller Report, which was acceptable on a technical basis and estimated the cost to be under half that estimated in the Payne Report.

4) USC Training Advisor

A draft Training Survey Report, dated August 21, 1983, resulted from a short-term TDY of a USC Training Advisor. The report prepared by the advisor was unacceptable to either the Customs office in Washington or to USAID. The end result was that the whole training plan had to be revised by the Customs team in Liberia.

d. Training

Participant training in the U.S. was given in the following subjects: a) executive observation, b) review of internal audit/inspection and c) commodity team observation.

Then Commissioner Kelekai and Chief Inspector Kruah both participated in the Executive Observation training and Mr. Kruah also participated in the Review of Internal Audit/Supervision. After this training Mr. Kruah and Mr. Kelekai became two of the most ardent supporters of this project. Mr. Kruah was so impressed with what he had seen at the Internal Audit training that he initiated internal audits within the Ministry.

The Commodity Team observation was attended by two Customs appraisors. This training is prerequisite to getting the classification and valuation part of the project implemented.

The advisors have led some informal workshops where they have introduced new procedures. This informal type of training places the advisors in more immediate contact with line LCS employees instead of with the usual supervisors and managers.

The Chief of Party feels that training without the structural framework, which includes the implemented management procedures, proposed under this project would be futile. Training plans through September 1985 are keyed to reinforcing the initiatives of this project. This training includes commodity team training, tally clerk training, baggage/cargo inspection and perhaps some management training in conjunction with IRS training.

It is, of course, very hard to judge the value of training in such a short time. However, the COP's philosophy is to not undertake training until conditions are right, procedures are accepted and policies have been set. The COP also feels that the advisors should continue to participate in informal training. This appears to be an appropriate attitude toward future training.

e. GOL Inputs

Generally, the GOL inputs called for in this project are: salaries of counterparts and staff office space for the advisors, provision of a training room, some construction at outstations and a warehouse. Counterparts and staff, office space and the training room have all been provided. There has been no construction at any outstations, but there has never been any indication as to what kind of construction would be necessary.

At the final review meeting with GOL officials they indicated that they had no knowledge that there was a GOL construction component for outstations in the PP amendment. Based on the above facts, the evaluation team suggest that the construction component not be included as a required GOL input.

The GOL has not provided the warehouse which is an integral part of the project's intent to upgrade the operations and exercise control at the seaport. Although the PP only calls for the completion of the warehouse in FY 85 the warehouse is needed now. This need was pointed out in 1982. During the final review meeting with the Commissioner of Customs and Excise, USAID was assured by the commissioner that this was also his priority and the problem would be solved soon.

f. U.S. Customs/Washington Backstopping

Although the PASA calls for a U.S. Customs/Washington backstop officer to devote 50% of work time to this project it is generally conceded that until recently the backstop officer actually gave this project much less attention than required. Problems encountered by USAID/L in dealing with U.S. Customs/W were: a) reports of TDY advisors were received months after their due dates (and after numerous requests); b) very poor selection of short-term advisors (see section IV.B.2.c.); and c) sending a short-term advisor to Liberia without USAID/L or GOL approval. Part of the problem with U.S. Customs/Washington backstopping had been poor reporting by the then U.S. Customs Advisory team's COP.

When U.S. Customs/Washington's Assistant Commissioner Shaver came to Liberia he assessed the situation and made changes in his advisory team's management and changed the Washington backstop officer. The current U.S. Customs/W backstop officer has been devoting sufficient time to the project. Currently, USAID/Liberia and the U.S. Customs Advisory team express satisfaction with this change in backstop.

C. Commodities

The commodities that have been ordered for this project include automobiles, motorbikes, pickup trucks, communications equipment and office machinery. The majority of these commodities are destined for outstations of both Customs and Internal Revenue. There has been a substantial delay in procurement of these vehicles.

Due to the unacceptable performance of the first communications consultant TDYer the communications equipment still has not been ordered. According to the PP the PIO/C for this communications equipment was to have been written in July 1983, and this equipment was to arrive in Liberia in December 1983. The second consultant's report (the Miller report) was provided to the GOL in October 1984. The GOL and USAID have agreed to accept its recommendations for a less costly single side band radio system. This equipment will be ordered shortly.

There has been unnecessary delay in procuring the non-communications commodities. PIO/Cs were originally sent to SER/COM Washington at the end of 1983. This led to an exchange of communications between USAID/L and SER/COM with no concrete results. After approximately nine months of no progress the Mission finally told SER/COM to disregard the PIO/Cs since the Mission would be procuring these commodities on its own. These commodities were ordered in June 1984 and began arriving in Liberia in October 1984. For this delay, AID is fully responsible.

The evaluation team visited one Customs Outstation (Buchanan) and three Revenue Outstations (Unification Town, Buchanan, and Kakata). It is apparent that two of the greatest needs of these outstations are communications and transportation. While these outstations have telephones they are lucky if they can get through to Monrovia once a week. Though no clear link can be found between improved communications and increased revenues, one expects that improved communications will help make the MOF a more efficient institution.

Of overriding importance is the need for transportation. Collectors and Assessors must either pay for travel out of their own pocket or walk. Some of the places they must walk to are several hours away from their Revenue Office. There is no incentive for these Revenue Officers to make these necessary trips.

The taxes collected by the Revenue Officers are usually paid in cash, making the officer's job dangerous, especially if he must travel by foot or by public transportation. These cash receipts must periodically be brought into Monrovia. The availability of transportation then would let collectors and assessors take more trips, which generate revenues, provide these tax officials a bit more protection from rogues, and allow the outstations to make more trips to Monrovia, which gets revenues in more timely and provides greater security.

U.S. Customs/Washington made a contribution of used office furniture for use by the LCS. Freight and handling of the furniture were paid for by USAID/Liberia. It took more than a year for these commodities to arrive and they still have not been distributed; nonetheless, this gesture by U.S. Customs/Washington is appreciated by USAID/Liberia and LCS.

D. Financial Status of Project

Life of project funding is $8,283,000. Of this, $6,800,000 has been obligated through FY 1984. Accrued expenditures have been $3,783,000 and a further $1,184,000 of the project's pipeline is earmarked. This leaves an unearmarked pipeline of $1,833,000. A further $1,483,000 is planned for obligation in FY 85 which will increase unearmarked funds to $3,316,000.

Based on the project manager's projections for expenditures through FY 1985, the project probably will have excess funds of approximately $1.0 million. Major FY 85 expenditures for which funds have not yet been earmarked are:

Expenditures	(in thousands)
Communications equipment	$ 800
USC PASA Amendment	300
IRS PASA Amendment	200
Local Support Costs	600
Commodities and Training	200
Miscellaneous	100
	$ 2,250

Underexpenditures in several areas account for this excess of funds. These include funding for the ADP advisor position which has not been filled and funding for the customs advisers whose tours began later than anticipated. Given these excess funds, the project can be extended without further obligation for up to a year given the level of technical assistance proposed by the evaluation.

V. CONCLUSIONS

A. Revenue

As has been stated above, the impact of the project on revenue collections cannot be quantified as there is no adequate baseline data with which to make such an analysis. However, in examining the discreet components of the IRS/TAAS team's activities, one can conclude that there has been a direct positive impact on revenue. However, this impact is probably only a portion of the potential additional revenue if all planned outputs had been successfully completed.

Some outputs have been attained and are functioning fairly well--notably the cashiering system and the desk audit unit. Others, such as real estate and the uniform revenue procedures for outstations are incomplete but still have made a contribution to revenue and will have an even greater impact once fully implemented. Even when implemented, however, these will have only a marginal impact on the GOL's overall revenue position. Other outputs, such as the establishment of a training unit, will have only a long-term impact.

The areas with the greatest potential for increasing revenue, however, have had the most difficulty in implementation. In the case of collections, a combination of resistance from within the MOF and interventions by special collection task forces have thwarted the establishment of a centralized collections unit. Also, the lack of an ADP advisor and a functioning ADP system has prevented the establishment of comprehensive tax delinquency lists. Likewise, a concerted taxpayer compliance program has never been undertaken, both because of a lack of interest on the part of the MOF and the lack of an ADP system.

D. Customs

Reading the background of the 1982 PP amendment it becomes apparent that the intention of this project is to address the current revenue needs of the GOL in an attempt to stem the ongoing fiscal and balance of payments problems. However, in following the logframe the USC team has focused on outputs that cannot be expected to generate revenues with the needed urgency.

The long-term, institution building nature of the USC strategy is obvious from its emphasis on administrative change and facilitation of trade. This strategy has manifested itself in proposed LCS reorganization, the implementation of manifest control at RIA and pre-entry review at the seaport.

The manifest control system is geared toward giving LCS greater control over both entered and unentered goods. It is apparent that this manifest control system represents an improvement in administration and control. Whatever effect it has had on revenue generation, because of lack of baseline data and the short time since this manifest control system was implemented, is not clear.

Implementing the pre-entry review system at the seaport can mostly be seen as a trade facilitating activity. The pre-entry review system allows some of the Customs paperwork to get taken care of before the ship docks. While the facilitation of importation may encourage imports and hence generate revenues, this cannot be expected to have an immediate effect.

While USC has been attempting to garner control of commodities for LCS by implementing systems and procedures, the presence of G-2, police, military, other security forces and Ministry of Agriculture and the subsequent multiple inspections renders any efforts USC extends useless. The best that can be expected, under such conditions, is that once these multiple inspections cease LCS might have an enhanced capacity to generate revenues due to the increased paper controls implaced by USC.

VI. Summary Charts: End of Project Status and Project Outputs

EOPS Summary Sheet

BUREAU OF CUSTOMS AND EXCISE

Capability of Collecting Import and Export Duties and Consular Fees Effectively

End of Project Status	Progress to Date	Expected Status as of 9/30/85
1) Updated Liberian customs code	Liberian Customs Code sent to U.S. Customs for review. No response to date.	Review completed
2) Improved organization and management	A limited organizational chart under discussion. "An Assessment of Management Practices in the Liberian Customs Service" completed 11/30/83. A follow-up to "An Assessment..." issued 2/16/84.	Fully implemented
3) Greater uniformity of Customs practices	Current U.S. Customs workplan calls for "Policies & Procedures Handbook" to be written and distributed. To date this handbook is only in the planning stage	Partially implemented
4) Improved internal controls.	Internal review program program exists.	Internal Audit function reorganized under Deputy Minister
5) Improved operation and effectiveness of seaport Customs	Pre-entry review system installed. Commodity team entry processing procedures proposed May 1984. Statistical information gathering began 9/84 Organization of technical work, workflows and procedures analyzed and reorganization plan developed.	Fully implemented

58

End of Project Status	Progress to Date	Expected Status as of 9/30/85
6) Improved control of of goods in bonded warehouses	GOL recently led crackdown on abuse in this area	Fully implemented
7) Improved control of of goods in transshipment to neighboring countries.	GOL has voiced concern about abuse in this area	Partially implemented
8) Improved operation and effectiveness of airport Customs.	Mostly complete Implementation to be done only on C&V and statistical information gathering.	Fully implemented
9) Improved operation and effectiveness of Customs outstations	Commodities now arriving arriving in country.	Partially implemented
10)Improved post office handling of packages from abroad	Post Office procedure reviewed by TDY advisor.	Deemed low priority, thus do not expect implementation
11)Improved classification & valuation procedures.	C&V procedures planned at both seaport & airport Training for implementation begun.	Fully implemented
12)Improved capability to regulatons against smuggling, fraud and bribery	No action undertaken to date.	Do not expect implementation in this specific area

BUREAU OF CUSTOMS AND EXCISE

Outputs Schedule

Output	Completion Date as per PP	Status as of October 1984
1) Recommendations for updating Liberian Customs Code.	FY 83	document sent to USC/W; no reply
2a) Plan for improving organizational structure of Bureau.	FY 83	being planned
b) Plan for improving accuracy, usefulness & timeliness of flow of management information including new forms where required.	FY 84	statistical data gathering process being planned
3) Uniform entry processing system including an entry acceptance/rejection procedure in operation	FY 84	not yet implemented
4) Recommendations for improving internal controls.	FY 84	being planned
5) Seaport Customs:		
a) Improved manifest control procedure in operation.	FY 84	not yet implemented
b) Secure warehouse space under control of Customs for unentered goods available.	FY 85	not implemented
c) Program for disposal of unentered merchandise in operation	FY 84	not implemented
6) Improved system for control of goods in bonded warehouses in operation.	FY 85	not implemented
7) Improved system for control of goods in transshipment to neighboring countries in operation.	FY 85	not implemented
8) Airport Customs:		
a) Aircraft manifest required.	FY 83	implemented
b) Effective manifest control procedure in operation.	FY 83	implemented
c) Secure warehouse space under control of Customs for unentered goods available.	FY 85	implemented
d) Program for disposal of unentered merchandise in operation.	FY 84	implemented
e) Cashier's cage in operation at airport.	FY 84	implemented

Outputs Schedule, Continued

9) Improved system for post office handling packages.	FY 84	not implemented; activity dropped
10a) Customs outstations with improved supervision, transportation, communications & work facilities.	FYs 84 & 85	not yet implemented
b) Rehabilitated/newly constructed Customs outstations	FYs 84 & 85	not implemented; (lack of GOL funds)
11a) System for filing C&V decisions in operation.	FY 84	not yet implemented
b) Program for disseminating information on important C&V decisions generally to members of Custom Service in operation.	FY 85	in process
c) Technical committee to act as Board of Appeal on disputed C&V decisions established.	FY 85	not yet implemented
d) Operating manuals for C&V.	FY 85	not implemented
12) Recommendations for improving capabilities to enforce regulations regulations against smuggling, fraud and bribery.	FYs 84 & 85	implemented
13) Counterpart personnel assisted & trained by long-term consultants	FY 85	partially implemented
14) Training program developed.	FY 83	implemented
15) Training program in operation	FYs 83, 84 & 85	partially implemented
16) Personnel trained overseas.	FYs 83, 84 & 85	ongoing

EOPS Summary Sheet

INTERNAL REVENUE AND TAXATION

End of Project Status	Progress to Date	Expected Status as of 9/30/85
1) Improved organization & management	DIRS/TAAS proposals for reorganization partially accepted; management training given 17 participants.	Centralized collection unit established and operating. Additional management participants trained
2) Improved taxpayer services	No activity undertaken	No activity planned
3) Improved forms design workflow, maintenance of records	Some forms for internal use designed (e.g., real estate, daily cash receipt report). Real estate records partially computerized. Daily computer cashiering reports developed.	implemented
4) Improve cash controls and internal auditing	Centralized cashiering system established and operating. Internal audit unit established but with limited purview. Monthly rather than quarterly income tax withheld	implemented
5) Improved Collections	Collections Unit established, then disbanded.	Collections Unit to be re-established. Mobility of outstation collectors improved.
6) Improved Compliance	No activity undertaken	Special Compliance Unit established within Bureau of Direct Taxation
7) Improved taxpayer auditing	Desk Audit Unit established & operating. Field audit system reviewed/critiqued but no action taken.	Implemented

EOPS Summary Sheet, Continued

End of Project Status	Progress to Date	Expected Status as of 9/30/85
8) Improved operations & effectiveness of revenue outstations	Uniform procedures for outstations established. One station reorganized & trained. Basic feature of reorganization still in use.	Program for reorganizing & training all outstations by MOF staff to be drawn up. Program implemented at all outstations. Outstation communications and transport to be improved.
9) Improved capability to enforce regulations against underreporting and failure to file return	No activity undertaken	No activity planned
10)More accurate data base for real estate	Cadastral survey 70% complete. Files 50% computerized.	Cadastral survey to be completed & files completely computerized.
11)Microcomputer effectively integrated into management & operations of Dept. of Revenue	Microcomputer functioning only in cashiering	Real estate data to be computerized as test case for all files. Monthly revenue summary to be computered
12)Functioning training program within Dept. of Revenue and capability of conducting program after completion of project	Training Unit established & unit's personnel now being trained	Training capability institutionalized.

INTERNAL REVENUE AND TAXATION

Outputs Schedule

Output	Completion Date as per PP	Status as of October 1984
1) Recommendations for improving organizational structure of Department of Revenue.	FY 83	Recommendations made but not wholly adopted or implemented.
2) Adequate number of tax forms printed and distributed.	FY 83	yes
3) Public information campaign to alert public to important provisions of tax laws initiated.	FY 84	no
4) Improved tax forms introduced.	FY 83	Taxpayer forms improved 1979-81. Some changes made to Dept. of Revenue internal forms.
5) Improved work flow and records maintenance procedures introduced.	FY 83	Improved record maint-in cashiering. Computerization of real real estate files underway.
6) Central cashier facility in operation.	FY 83	implemented 4/83
7) Computer and portable receipt writers used to provide all taxpayer receipts.	FY 83	implemented FY 83
8) Internal audit staff functioning effectively with required	FY 83	Partially implemented FY 84
9) System for combined billing of all taxes and fees in operation.	FY 84	not implemented
10) Combined delinquency list for all taxes and fees available.	FY 84	not implemented
11) System for updating combined delinquency lists for all taxes and fees in operation.	FY 85	not implemented

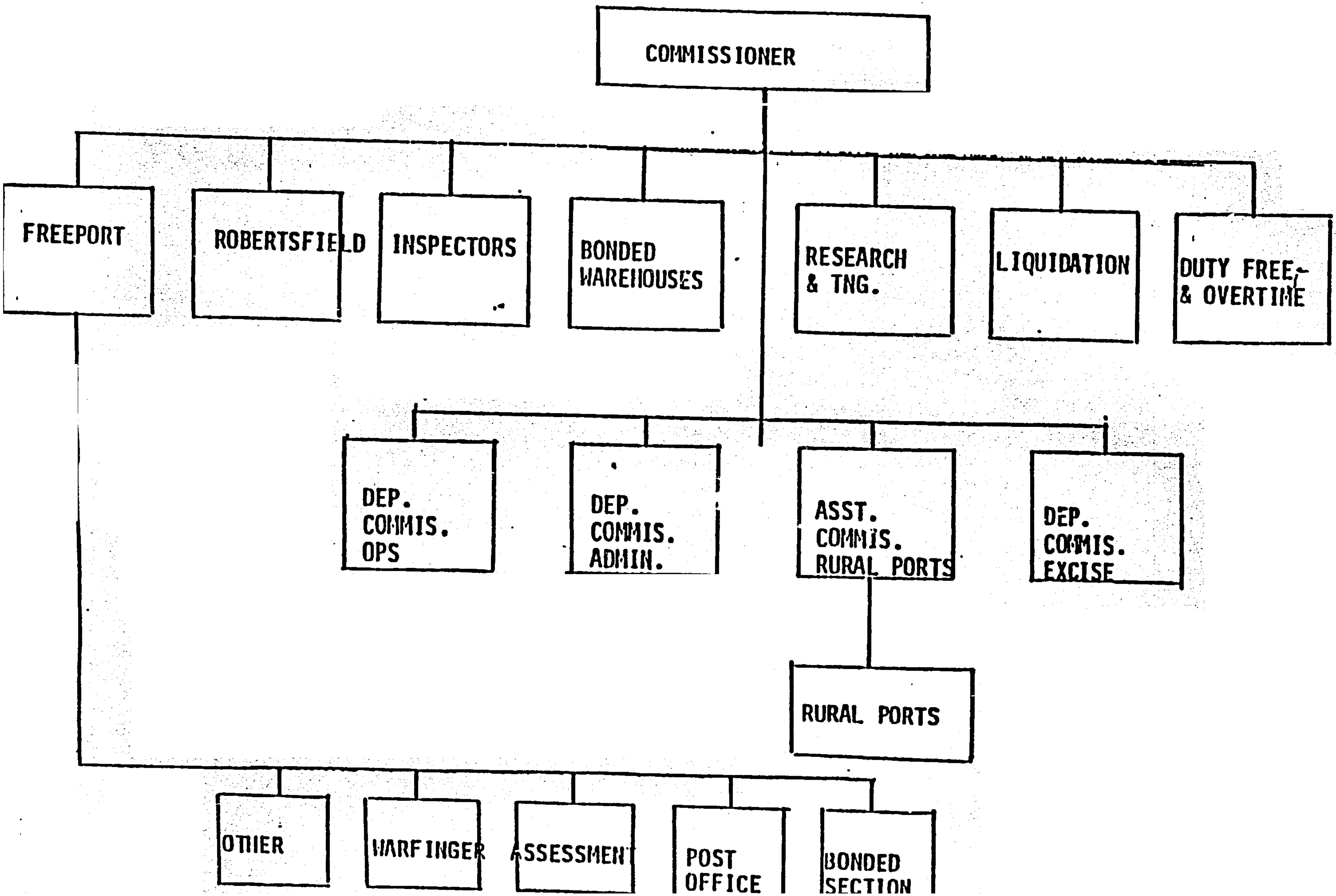
Outputs Schedule, Continued -

Output	Completion Date as per PP	Status as of October 1984
12) Motor vehicle registration enforcement program in operation using boots to immobilize vehicles	FY 84	Not implemented on advice AID legal counsel
13) Compliance program established based on comparing rolls for various taxes and fees with each other and with other lists available to government.	FY 85	not implemented
14) Desk audit procedures established.	FY 83	implemented 1/83
15) Increased quantity and quality of audits.	FY 83	Implemented for desk audits. 170% increase in # of field audits, 81-83. Proposals for improved field audits not adopted.
16) Revenue outstations with improved communications: 26 stations.	FY 84	not implemented
17) Revenue outstations with with improved supervision, transportation and work facilities:		
3 stations	FY 84	not implemented
2 stations	FY 85	not implemented
18) Rehabilitated/newly constructed Revenue outstations: 2 stations	FY 84	not implemented
2 stations	FY 85	not implemented
19) Recommendation for improving capability to enforce regulations against underreporting and failure to file a return.	FY 84	not yet implemented
20) Mapping and evaluation of all real property in Monrovia complete	FY 83	75% complete
21) Mapping and valuation of all real property in other urban centers completed.	FY 85	Some outstation valuers trained.

Outputs Schedule, Continued

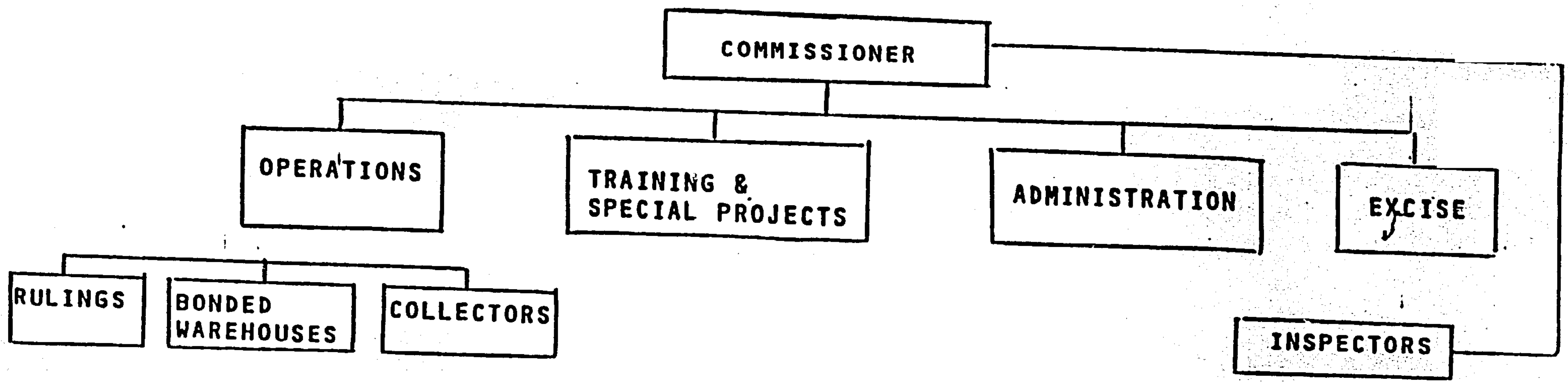
Output	Completion Date as per PP	Status as of October 1984
22) Cadastral survey of rural properties in Liberia initiated.	FY 85	not yet implemented
23) Microcomputer system in operation to:		
- maintain and update master files for various taxes and fees.	FY 83	not implemented (except for part of real estate rolls)
- provide combined billing of all taxes and fees.	FY 84	not implemented
- compare rolls for various taxes and fees with each other and with other lists available to Government to determine non-compliance.	FY 85	not implemented
- reduce revenue leakages by making it harder for Department of Revenue employees to be dishonest	FY 84	Some programs implemented (e.g., cashiering system)
24) Counterpart personnel assisted & trained by long-term consultants	FY 85	ongoing
25) Training program developed	FY 83	Overseas program developed. In country being developed at present
26) Training program in operation	FY 83	Overseas in operation. In country started 11/84
27) Personnel trained overseas:		
12	FY 83	11 trained
14	FY 84	7 trained or still in training
5	FY 85	6 scheduled in 1985

Organization of the Liberian Customs Service



ANNEX I

ORGANIZATION CHART APPROVED BY COMMISSIONER AND DEPUTY MINISTER BUT PENDING BUDGET APPROVAL



ANNEX II

THE ORGANIZATION BELOW THE INDICATED LEVEL WAS TO BE DETERMINED AT A LATER DATE FOLLOWING DISCUSSION WITH THE INDIVIDUALS NAMED TO THE ABOVE POSITIONS.

ORGANIZATION SEAPORT

WEEKLY REPORT OF ENTRY AND COLLECTION STATISTICS

WEEK ENDING 9-22-84

ENTRY KIND	TOTAL ENTRIES PROCESSED	TOTAL VALUE OF ENTRIES	AMOUNT OF DUTIES ASSESSED				ASSESSED DUTIES COLLECTED BY:			
			DUTY	SURCHARGE	INVOICE FEE	TOTAL	CASHIER	DRAWBACK	DEFERRED	FREE
CONSUMPTION	208	3940232	753917	517	167624	922058	329072	14863		578123
BONDED WITHDRAWAL 57.	400	827469	520763	22396	8650	551809	507058	44752		
TRANSSHIPMENT 7	198	1063614			38130	38130	38130			
EXPORT 333.	12	5104506	120			120	120			
SPECIAL RELEASE										
BONDED WAREHOUSE 2	171	4157639			164039	164039	164039			
FREE	58	471593	101887	9770	5933	117590				117590
SST	4	81549	37323			37323				37323
TOTALS	1051	15646602	1414010	32683	384376	1831069	1038419	59615		733036

REPORT OF DRAWBACK OUTSTANDING BALANCES

ACCOUNT NAME	BALANCE	ACCOUNT NAME	BALANCE	ACCOUNT NAME (Future Payments)	BALANCE
RBC	10064	Elaine L. Grimson	37395	Eouani Bros.	871
A-Z	29779	Rally Time Markets	90306		
LIBTRACO	20607	CEAO	4894		
SETHI BROTHERS	7547				
TOTALS					

TOTAL ACCOUNTS 8

TOTAL OUTSTANDING BALANCE 200589

PREPARE IN QUADRUPLICATE

ANNEX III

ANNEX IV

DEPARTMENT OF THE TREASURY

U.S. CUSTOMS SERVICE

WASHINGTON

December 10, 1984

REFER TO

Ms. Lois Richards
Director
USAID/Liberia
Monrovia, Liberia

Dear Lois:

I have enclosed the response of the U.S. Customs Advisory Team to the USAID evaluation of our project. Although this reply is based largely upon our previous response to the draft evaluation, we have made some substantial revisions which I believe merit your close review. In line with our conversation of yesterday concerning a memorandum from James Shaver of U.S. Customs Headquarters, Washington, D.C., this response should not be construed to be the "U.S. Customs Response". Mr. Shaver has indicated that the U.S. Customs position will be formulated after visitation from an official from Customs Headquarters sometime after the first of next year.

Essentially, the advisory team feels that it would be most unfortunate to end Customs technical assistance to the Government of Liberia within the next nine months, just as our improvements are being implemented and when our efforts are most urgently needed. Despite the initial difficulties in launching our project, we believe that we are now making significant progress in assisting the GOL in its long-range efforts to increase revenue collections.

I look forward to meeting with you at your convenience to further discuss this subject.

Sincerely yours,

Allan Weinstock
Senior Customs Advisor

[illegible]	ACT.	INFO.
[illegible]		✓
DP/PRG		✓
SPCD	✓	w/a
ECON		
HRD		
CON		
ARD		
EO		
PER		
GSO		
RF		✓

FILE STATION: 03
CCR Chron
DATE REPLY DUE: 12/27
ANS'D BY
DRAFTED BY: NAN 13

U.S. CUSTOMS ADVISORY RESPONSE TO THE EVALUATION OF THE INCREASED REVENUE FOR DEVELOPMENT PROJECT (669-0132)

Due to a number of differences which exist between the USAID evaluation of the Customs Advisory project and the views of the U.S. Customs Advisors, it is felt that our formal response should be presented as a separate addendum to the evaluation.

While the U.S. Customs Advisors recognize that the evaluation accurately criticizes certain aspects of the project which undeniably require correction, the report also contains several significant conceptual and structural errors. Perhaps the most glaring of these was the failure of the evaluators to meet with the previous Commissioner of Customs (who had been replaced only two weeks before the evaluation began) or any of the current Deputy and Assistant Commissioners. This omission also included the Assistant Commis-ioner for Excise, the person responsible for the very program which the evaluators recommended receive a major increase in project emphasis. We believe that if interviews had been conducted with these key officials who were best acquainted with the project, the evaluators would have gained a much better perspective on the rationale, direction and approach adopted by the U.S. Advisors. Our primary objection to the evaluation, however, concerns what we believe is: 1) an oversimplification of what is required to achieve increased revenue collections; and 2) the evaluators' conclusion on the reduced amount and nature of technical assistance required after September, 1985.

The evaluation did not comprehend the important revenue enhancing potential of several procedural changes which have been introduced by the U.S. Customs Advisors. For example, the pre-entry review system we have started was dismissed as simply a facilitation effort. While this system does facilitate entry flow, it was primarily designed as a tool to correctly verify invoice values and tariff classifications and to ensure that the maximum amount of revenue is collected. Similarly, the evaluation failed to credit the Advisory Team with the significant success in discovering overlain goods through a new procedure for closing bonded warehouse entries, or that substantial amounts of revenue were subsequently collected during a crash program to reduce a 4-year backlog of old entries. This effort directly led the Commissioner of Customs to initiate a major investigation of Bonded Warehouses, an area which the evaluators assumed we had ignored.

The evaluators recognized that there are no quick-fix schemes or simple solutions for dramatically increasing Customs collections. They rightly concluded that lasting improvement can only come about through institutional development, a long-term effort. The report then curiously contradicts this conclusion by recommending ("for planning purposes") termination of U.S. Customs participation in the project after September, 1985. The report fails to consider that many segments of the project will only have been recently implemented by that date and that to cut off Customs advisory assistance on the threshold of implementation would risk the collapse of most of the improvements. This should not be interpreted as a sign of any fragility or inherent weaknesses in the systems we have developed. Rather, it is merely a reflection of what normally occurs when technical assistance is abruptly withdrawn before programs or systems can function independently. The premise that an Excise Tax Advisor could effectively monitor a variety of complex Customs initiatives, while simultaneously planning and launching his own program, is difficult to accept.

While we have outlined some of our fundamental disagreements with the evaluation, we feel that several of the evaluation's findings and recommendations were appropriate and have compelled the Advisory Team to adjust program priorities at an earlier stage than would have normally occurred. Our full compliance to each of the evaluation's recommendations was submitted to USAID/Liberia on November 28, 1984. We also believe that the recommendations directed at the GOL were valid and important to the success of the project.

Admittedly, the Customs project has suffered from some initial setbacks (which the evaluators noted were not uncommon for PASA projects). The evaluators were justifiably critical of a number of TDY assignments which produced disappointing results and the selection of a few personnel unsuited to their tasks. The early history of the project therefore did not enhance the professional image or reputation of the Advisory Team. However, these problems have been rectified through greater support from Customs Headquarters, restructuring the team and adjusting advisory assignments. During the past six months in particular, we have actively sought to restore confidence in our project and to dispel any lingering doubts about either our capabilities or our commitment to the project. We believe that an inauspicious start should not overshadow our achievements or a promising potential for success.

pecific Areas of Disagreement with the USAID Evaluation

1. Page 32, 33; Summary of Organization and Functions

The evaluation criticizes the "lack of detail" in the advisor's proposed organization for Customs and describes it as "wholly inadequate and certainly inferior to the current, informal organization outlined in Appendix I."

The advisor's proposed organization was designed to be a phased approach, starting with the major offices and descending into the lower ranks. This strategy was worked out with the previous Commissioner, and the previous and current Deputy Ministers of Finance (Revenue). This information was given to the evaluators and is justified in detail in two separate reports (also given to the evaluators): "An Assessment of Management Practice in the Liberian Customs and Excise Program", dated November, 1983 and January, 1984.

The evaluators criticize the lack of detail in the advisor's proposed organization. We purposely started on a simple level so that we could gain the support and working participation of our Liberian counterparts when we attempted to finitely define the organizations they were to manage. While we could have easily drafted and justified a detailed organization ourselves, we wanted full GOL participation in the process. The informal organization alluded to by the evaluators as superior to the advisor's proposal has no delegations of authority, with all offices reporting to the Commissioner.

2. Page 34; Manifest Control

The evaluators' point regarding tally clerks is well taken under developed world conditions. Our survey of this situation raised serious questions as to the reliability and accuracy of available tally reports. However, in order to implement a manifest program in the time remaining, we are re-writing our procedure to use existing tallies.

3. Page 35; Airport

"The advisor informs us that because of the relatively simple operation at the Airport, C&V could begin without any formal training." This is incorrect. The process, although simplier than that proposed for the Seaport, will require time, substantial changes in workflow, and training.

4. Page 37; Customs Team Management

"Assignments among advisors were made without being adjusted to account for changing requirements." This is incorrect. Our work plan, reflecting advisor responsibilities and objectives, has been formally changed twice within the past four months. This reflects not only an internally adjusted approach to our work assignments, but also reflects input from USAID and the GOL.

.../2

"The Customs advisors have not had a good understanding of the project's purpose." This sentence and continued paragraph, reflect the philosophical differences between the Evaluators and the Customs Advisors. We feel that our approach (which is clearly stated later in the paragraph), will achieve the purpose of the project, i.e., increased Customs collections.

"The team was informed by U.S. Customs that bonded warehouses do not actually require a bond." This is incorrect. The Seaport Advisor informed the evaluators that although the warehouse proprietor was required to post a bond, there were no entry bonds.

ANNEX V

DEC 84 8 : 55

REPUBLIC OF LIBERIA
MINISTRY OF FINANCE
MONROVIA, LIBERIA

FFICE OF THE COMMISSIONER
FOR CUSTOMS

BLOCK STAMP ROUTER		
ROUTE TO	ACT.	INFO.
D/DD		✓
DP/TRG		✓
SPPD	✓	
ECON		
HRD		
CON		
ARD		
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December 13, 1984

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Ms. Lois Richards
Director
USAID/Liberia
Sinkor, Liberia

Dear Ms. Richards:

DEC 18 ANS'D

Thank you for sending me a copy of the evaluation report on the U.S. Customs Advisory project. I read the report with great interest, but I find it difficult to respond to many of the situations described in the report, since I have been the Commissioner of Customs and Excise for only about three months now. However, I can state without hesitation, that during the time I have worked with the U.S. Customs Advisors, they have all proved to be very helpful to me.

While I am pleased that the evaluation report had recommended assistance to Liberia for an Excise Tax Expert, I am deeply concerned that the report also recommends that the U.S. Customs Advisory project be terminated after September, 1985. I would prefer to have the Customs Advisors remain in Liberia for as long as it would take to assist me in completing my plans to improve the Bureau of Customs and Excise. Therefore, I do not want to lose any of these experts. Liberian Customs needs continued assistance in training, management, audit and procedures.

As the Commissioner of Customs and Excise, I am determined to reform the Bureau of Customs and make it function more professionally and effectively It is a great challenge to me, but I also need technical assistance and the expertise of these Advisors to help me make the necessary changes that would enhance the collection of revenue which is our priority item at this time. We would really hate to see them leave at the time when we think their services will be most needed after implementation of several programs/training.

Realizing the serious concern the Head of State has for raising revenue collections, I am certain he would be very much disappointed to hear that the U.S. Customs experts would no longer be at the MOF after September, 1985 to give their much needed advice and technical know-how to this office.

Ms. Lois Richards
page 2
December 13, 1984

In closing, I wish to express my appreciation to you as Director of USAID/Liberia, for the support and assistance you have given to Liberia. I trust you will take into serious consideration my appeal to have the U.S. Customs Advisory program extended beyond 1985, to help me effect the changes that are necessary in making this Bureau a viable and proficient organization.

With kind regards.

Very truly yours,

Eddie G. Manly
COMMISSIONER OF CUSTOMS AND EXCISE