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(2)

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT PAPER FACESHEET

TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE ("X" appropriate box): [X] Original [ ] Change [ ] Add [ ] Delete

PP — DOCUMENT CODE 3

2. COUNTRY/ENTITY: Liberia

3. DOCUMENT REVISION NUMBER:

4. PROJECT NUMBER: 669-0132

5. BUREAU: a. Symbol AFR b. Code 6

6. ESTIMATED FY OF PROJECT COMPLETION: FY 81

7. PROJECT TITLE - SHORT (stay within brackets): [INCREASED REVENUE FOR DEVELOPMENT]

8. ESTIMATED FY OF AUTHORIZATION/OBLIGATION: a. INITIAL mo. 7 yr. 8 b. FINAL FY 81

9. ESTIMATED TOTAL COST ($000 or equivalent, $1 = $1)

a. FUNDING SOURCE	FIRST YEAR FY 78 b. FX	c. L/C	d. Total	ALL YEARS e. FX	f. L/C	g. Total
AID APPROPRIATED TOTAL	381		381	1257		1257*
(Grant)	(381)	( )	(381)	(1257)	( )	(1257)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
HOST GOVERNMENT	130		130	425		425
OTHER DONOR(S)						
TOTALS	511		511	1682		1682

10. ESTIMATED COSTS/AID APPROPRIATED FUNDS ($000)

a. Appropriation (Alpha Code)	b. Primary Purpose Code	c. Primary Tecn. Code	FY 78 d. Grant	e. Loan	FY 79 f. Grant	g. Loan	**FY 80 h. Grant	i. Loan	ALL YEARS j. Grant	k. Loan
(1) ST	659	790	381		357		269		1257	
		TOTALS	381		357		269		1257	
11. ESTIMATED EXPENDITURES										

12. PROJECT PURPOSE(S) (stay within brackets) [X] Check if different from PID/PRP **FY 81 = Grant - 250

[To upgrade the capability of the Ministry of Finance to increase budgetable resources from internal taxes and borrowings.]

13. WERE CHANGES MADE IN BLOCKS 12, 13, 14, or 15 OF THE PID FACESHEET? IF YES, ATTACH CHANGED PID FACESHEET.

[x] Yes [ ] No

*Phase (B) of this project - Capital Markets $1,043 - will be added at a later date.

14. ORIGINATING OFFICE CLEARANCE

Signature

Title

Date Signed mo. day yr.

15. Date Received in AID/W, or For AID/W Documents, Date of Distribution mo. day yr.

AID 1330-4 (7-75)

L I B E R I A

INCREASED REVENUE FOR DEVELOPMENT

PROJECT NO. 669 0132

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D. Draft of Project Description for Project Agreement
(See Project Description Part II)
(No annex included)

I. SUMMARY AND RECOMMENDATIONS

A. Face Sheet Data (See prior page)

B. Recommendations:

1. Grant $1,257,000
2. Determinations: None

C. Description of Project

The project's main purpose is the strengthening and modernization of the Liberian internal tax system. This will be brought about through the application of professional technical advisory services, training, and limited project-related commodities support to personnel procedures and institutions in the present tax system and the complete cooperation of the Ministry of Finance. These are treated in more detail in the text of the report.

An essential by-product of the tax modernization effort will be substantially increased revenues from existing laws. These revenues will be used primarily to fund the ambitious National Socio-Economic Development Plan (PLAN) implemented by the GOL in FY 1977. The PLAN has a rural development bias. However, its principal beneficiaries will be both the rural and urban poor of Liberia. Beyond external borrowings of $258,000,000 it will require the generation of $157,000,000 in new revenues from existing domestic sources, principally taxes, if the PLAN goals are met. So, the proposal would lose momentum if some fiscal stimulus is not introduced.

According to the PLAN[1] "... the revenue projection does not include any provision for new taxes or higher rates for existing taxes during the next four years." Thus, administration of existing taxes will have to be substantially improved if PLAN goals are to be met.

A detailed description of the project, its goals, objectives, planned inputs and expected outputs will be found under Part II, B - Project Background and Detailed Analysis.

D. Summary Findings

The USAID/IRS evaluation team and GOL officials have recognized the relevancy and appropriateness of this project to Liberia's development needs. Indeed, without new or additional taxes (not contemplated by GOL) or this or a similar project to identify, collect, budget, and distribute additional domestic revenues for the development effort, it is highly unlikely the four-year National Socio-Economic Development Plan can succeed.

The development goals in the PLAN which can be identified in major part with the aspirations of Liberia's poor majority are dependent solely on foreign financing ($251 million) and new domestic revenues ($164 million) from existing tax laws. See PLAN tables 6, 7, and 8 of Chapter 3, "Public Sector Development Expenditure and Its Financing, FY 1977-80."

1) Page 13, Par. 45 (PLAN)

The proposed program for strenthening existing tax administration institutions, advising administrators and training personnel and upgrading working facilities and equipment, once installed, should be followed by substantial increases in tax revenues, without new or changed laws and, after discounting the increases for inflation. At the proposed 15% increase, compounded over the four year life of the project, new revenues from existing taxes should surpass $100,000,000 (U.S.) in present dollars. (See Annex B.1 for relevant calculations.)

Based on related data and conclusions drawn in the pertinent social and financial analyses in Section III of this report and the proposed Implementation Plan in Section IV, it appears there are no impediments to initiating the project.

The principal beneficiaries of the project will be Liberia's indigent poor, and the principal contributors to the increased revenues which will finance the domestic contribution to the development plan will be Liberia's middle and upper classes and the business community.

The financial plan appears adequate and comprehensive.

The GOL has responded well to the present tax advisory assistance project. A recent follow-up IRS audit training program was well attended and successful. There is no reason to believe that proposed project training cannot be readily absorbed and utilized.

As far as can be determined the project meets all applicable statutory criteria. (See Statutory Checklist at Annex B.5)

E. Project Issues

The evaluation team identified three project issues. They have all been resolved.

The new property tax law has been passed by the legislature, incorporating some suggestions from the evaluation team. Other ambiguous areas will be treated in the property tax regulations to be issued by the Ministry of Finance.

Counterparts to work with USAID/IRS advisors have been designated by the Ministry and are satisfactory to the advisory team.

Project related commodities (vehicles) are under order and will be available for distribution by the end of the calendar year.

II. PROJECT BACKGROUND AND DETAILED DESCRIPTION

A. Background

1. Liberia and Its Development Program

Liberia, a West African Country of 43,000 square miles (about the size of the State of Tennessee) has a population of 1,746,687 (1974 Census). The Republic of Liberia was established on July 26, 1847 and was the first Black African Colony to gain independence. It was originally founded as a colony for liberated American slaves in 1822. Its capital, Monrovia, is named for James Monroe, the fourth president of the U.S., who was in office when the colony was established. Monrovia has a population of 204,000.

Liberia has a low rate of literacy, something over 10%. In spite of the fact that the country has a number of important mining operations and rubber plantations, fully 80% of the population are subsistence farmers.

This study embraced a review of the administration of all internal taxes in Liberia, except excises, and their supporting functions. These included Income Tax, Property Taxes, Miscellaneous Taxes, and the Motor Vehicles License Division.

Liberia imposes a progressive income tax on the net incomes of individuals, partnerships and corporations. The rates range from a low of 2% in net incomes of individuals to a high of 45% in corporate net incomes in excess $1,000,000. The income tax laws and allowable deductions are similar to those in the United States. There is also a special tax on iron ore mining companies now equal to 50% of their net profits, and a realty lease tax of 10% of annual rental payments, as well as various miscellaneous taxes.

A property tax law was enacted in 1959. The tax base is extremely small so collections have been minimal. Slightly over 15,000 property owners paid taxes in 1976. The UNDP sponsored three property tax advisors who recommended a proposed new site-based law. However their program was curtailed due to lack of funding and the last UNDP advisor was forced to leave the unfinished project in December, 1976. The new law showed a great deal of promise and with proper administration collections should increase at a rate of more than 25% a year. However present management in the Division is weak, and untrained for administering the law.

USAID has had an IRS/PASA specialist on-site for two years advising the Income Tax Department in modern tax administration procedures. That project was completed in March 1977. A final report was drafted enumerating improvements in administration in the Income Tax Office, and revenue gains in the project's areas of concentration, and ongoing problems. The project was given a favorable evaluation by AID/L.

The Government of Liberia (GOL) was favorably impressed with the results of the project. Because of this and the proposal to completely revise the Property Tax Law, as well as a need to generate, internally, substantial revenues to fund an ambitious four-year development plan, the GOL requested increased technical assistance from USAID in the field of tax administration.

Seventy percent of Liberia's GNP results from the rubber, timber and iron ore extracting enclave economy. Funds earned from these activities flow from Liberia to banks and institutions in western Europe and the U.S. where they are invested in normal money and capital market instruments. Thus, the growth producing benefits of an indigenous supply of capital, both long- and short-term, are missing. The existence of an organized and well managed Liberian money and capital market would induce the enclave industries to keep their funds in Liberia rather than repatriate them, further reducing budgetary pressures. Liberia is a country which allows free convertibility of currency and is politically stable. These are two essential factors for the creation of an indigenous money or capital market. At present the skills necessary to launch such an operation are not present; however, the potential managers exist. This is a major area in which Liberia may be able to increase its capacity to finance its own development.

Liberia's four-year development plan (PLAN) (July 1, 1976 - June 30, 1980) calls for total expenditures of $415 million over the plan period. $300 million, or 72.6% of the total, would go to support programs to benefit principally the rural and urban indigent. The programs include such projects as rural access roads, agriculture and forestry, education and training, health, and low income housing and social welfare. 62% of the total, or $257 million, is to come from foreign loans and grants. The 38% balance - $157 million - is to be generated internally from additional tax revenues. When one considers that in 1975 total tax revenues collected by the GOL approximated only $125 million the enormity of the task of collecting an additional $39 million a year to fund the ambitious development program can be appreciated. Other than the radical change to the Real Property Tax Laws, no new taxes to support the PLAN are contemplated although an amendment to the Income Tax Law to facilitate collections is proposed. Also the Austerity Tax, considered regressive and unfair, was repealed in 1977, and an revenue-offsetting amendment to income tax rates is being made. So, the bulk of new revenues will have to come from better enforcement of exi 'ng laws. This is undoubtedly the principal reason for the GOL's request for tax administration advisory assistance. If more taxes are not generated through better administration of present laws the development goals of the PLAN will not be achieved.

2. Project Priority and Relevance

The purpose of this project is to improve the quality of tax administration in direct taxation so as to enable the GOL to collect more legally due revenues to fund development projects that will impact principally on the rural and urban poor. The program goal contemplates the increased mobilization of domestic resources for development. The project purpose is therefore consistent with program objectives. Increased resources resulting from the more efficient institutions for tax collections will be allocated to the annual development budgets which, in accord with the National Development Plan, will have their major impact on budgeted projects which inure to the benefit of Liberia's indigent population.

3. Social Considerations

Other than the pervasive poverty of the subsistence farmer and the unemployed urban slum dweller, the principal social ills to which the Development Plan is directed stem from the lack of pure water systems, inadequate sanitary facilities, the scarcity of medical attention and the accompanying problems of malnutrition and disease.

Only about 20% of the country's population enjoys a safe and dependable water supply. Those are mostly in the urban areas. 80% of the people rely on surface water and shallow wells with all their problems of unreliability and pollution.

Sewage treatment is unknown outside Monrovia, where a new $8 million sewage treatment system partially financed by USAID was recently completed. Sewage treatment and water transport systems figure prominently in the Development Plan. $23.7 million is presently allocated for these water and sewage treatment.

The usual grim vital statistics found in many developing countries are not strangers to Liberia. Infant mortality is generally estimated at 137-159 per 1,000 births. Life expectancy is 45 years. The major causes of death are malaria and gastro-intestinal diseases, especially, diarrhea and dysentery. $22.6 million of the development budget is earmarked for health care, including rural hospitals, clinics, preventative medical services and training of mid-wives and nurses

Also, $20.6 million is budgeted for community, vocational and secondary schools and teacher training. The periodic reviews and revisions of the development budget will assure that supportive resources are provided along with new facilities.

4. <u>AID and Other Relevant Experience</u>

a. <u>AID and IRS</u>

AID and IRS have been providing technical advice and training in tax administration to the developing countries on a progressive basis since 1963. This effort has covered all types of internal taxes and all types of tax administration functions. Most of the assistance has been given to developing countries in the Western Hemisphere, although assistance has also been provided to India, South Korea, South Viet Nam, Turkey, and recently, to Liberia.

IRS has also given orientation and training to visitors from 26 developing countries in Africa including Botswana, Chad, Ethiopia, Ghana, Liberia, Mali, Senegal, Sierra Leone, Tanzania, Zaire, Zambia, and others. On-site training in Africa has been given in Botswana, Liberia, Sierra Leone, and Ethiopia, and Liberia.

b. Other Participants

The British Ministry of Overseas Development now sponsors a full-time consultant to the Income Tax Division. His role is more operational than advisory. The original intention was that he work with the Audit Division as an Intelligence expert. That was not possible. He regularly advises the government with respect to specific taxpayers and specific operating problems, including concessionary agreements with foreign companies. He has recommended changes in tax laws and rates. He occasionally prepares letters for the signature of the Minister and Deputy Ministers and works on the preparation of Finance Ministry budgets. His contract will expire in May 1978. It is not known now whether the contract will be renewed.

On request from the GOL, the UNDP supplied three advisors in the Property Tax Area In 1973 they initiated a program to advise the tax office in identifying properties and related procedures. More importantly they initiated the project which was responsible for the proposed wholesale revision in the Property Tax Law.

Unfortunately, due to curtailment of funds, the UNDP project was terminated in Liberia and the last advisor left in December 1976, leaving the entire project in the hands of the

Property Tax Office. It will be extremely difficult, given the present level of managerial and technical skill in that office, for them to effectively administer the new law when it is passed.

The abrupt loss of the last UNDP advisor was the principal motivator behind the government's request for foreign advisory assistance to the property tax office.

c. Other Donor Coordination

Other than the possibility that the British Ministry of Overseas Development may extend the contract of its present specialist mentioned in Section II. A.4.b., it does not appear likely there will be coordination from any other donor in the tax administration area.

UNDP has terminated its assistance program in this area and does not intend to reinstate it.

5. Relationship to Other AID Activities

In Liberia as in other developing countries, AID emphasizes those development activities that more directly benefit the indigent population. It supports such programs as those designed to increase food production for the subsistence farmer; better technology for raising living standards of all the poor majority, both rural and urban; assistance to primary and adult education;

programs for teaching skills to the untrained and illiterate; community health programs; and similar activities.

The National Socio-Economic Development Plan and supportive statements by top policy officials, including the President of Liberia, are consistent with AID objectives.

B. Project Description

1. Goal and Purpose

The purpose of the project is to upgrade the capability of the Ministry of Finance (MOF) to increase budgetable resources from internal taxes. Achievement of the project purpose contemplates substantial institutionalization of tax administration improvements in all direct tax offices - Income Tax, Property Tax, Miscellaneous Taxes, and the Motor Vehicle License Division of the MOF to enable the collection of substantial additional revenues from existing tax laws.

Most of such increased revenues would, according to current GOL planning, be diverted to the Development Budget where their beneficial impact would fall primarily on Liberia's poor majority, principally the subsistence farmer.

The purpose is consistent with the program goal which contemplates the increased mobilization of domestic resources for development. Among the most important and most predictable domestic resources are tax revenues. If the project purpose is achieved a natural output will be the collection of more revenues through improved tax administration capability. These increased revenues would help satisfy the Development Plan's requirement for $157 million from domestic sources to help to fund increasing demands for projects impacting principally on Liberia's rural and urban poor.

In this regard it is appropriate to note that the principal revenues which will be benefitted from this advisory assistance project are the Income and Real Estate Taxes. The incidence of these taxes greatly favors the poor majority, since the development effort to be funded from these redound principally to their benefit, and the rural and urban poor are scarcely touched by these two levies.

The base exemption from the income tax and its progressive nature forces its impact to fall principally on the more affluent citizens and commercial and industrial entities. The property tax has the same effect since owners of taxable property likewise tend to be members of the upper middle and wealthier classes, and business interests. Less than 5% of the Liberians will pay income taxes and even if present property taxes quadruple or quintuple, less than 10% will pay property taxes.

The tax institutions which this project proposes to improve will be able to increase, substantially, the number of payors and the amounts of revenue per payor without violating those percentage ceilings.

The MOF is, of course, the key ministry for raising and collecting revenues. With close cooperation from the Bureau of the Budget fiscal integrity has been considerably strengthened in the last five years. Serious effort is now made to adhere to budgets and to planning goals. The current (1977) project for reviewing and revising the development budget is an example of this.

2. Project Strategy and Approach

Project strategy is predicated on the GOL's willingness to assume an active counterpart supportive role to assure the attainment of project objectives. This contemplates allocations of new revenues to appropriate projects outlined in the National Development Plan to assure that programmed resources flow to the benefit of Liberia's rural and urban poor.

However, in order for benefits to be created in the form of increased tax revenues that may flow from more effective tax processing and collecting institutions it will be necessary that policy officials in the Ministry are made aware of the relationship between better administration and increased revenues.

Further, to create more effective institutions will require that the government give adequate budget support to the tax administration effort to assure that personnel will be trained, functions strengthened, integrity monitored and that adequate supplies, transportation and facilities are made available.

3. Project Elements

AID inputs to the project are principally technical advisory services, training, and limited counterpart commodities necessary for carrying out project proposals and for achieving project objectives. The total AID grant for the four-year life of the project is budgeted at $1,257,000.

GOL contributions to project objectives will approximate $425,000, and will consist primarily of appropriate staff support, counterpart commodities, increased maintenance budgets, expanded facilities and support for the USAID/IRS advisory team.

a. Inputs

160 staff months of U.S. technical advice and tax training courses have been programmed for the four-year life of the project. Advisory assistance would begin soon after October 1, 1977, with the arrival of the Senior Advisor. This could enable the Senior Advisor to overlap with the on-board contract advisor

who is scheduled to terminate his contract on or about October 1, 1977. The full-time Real Property Evaluation Specialist and Collections and Systems Advisor would arrive immediately thereafter. Formal training would begin in the first quarter of calendar year 1978. While the long-term advisors' time will be spread equally over the four years of the project, short-term technicians will have completed their specialized assignments by the end of the third year. Approximately 80% of the formal training and orientation will also have been completed at the end of the third year. The fourth year of the project will be reserved primarily for securing institutionalized gains in the major departmental and functional areas, evaluation of inputs and introduction of new techniques.

The full time advisors will be required to identify and coordinate with appropriate counterpart officials in the tax administration activity to assure that advisory recommendations will receive full and objective reception, and to assure that project inputs are applied in an orderly and timely manner. Principal responsibility for this and for all scheduled project activities will rest with the Senior Advisor. In addition the Senior Advisor will help to select and will supervise all short-term U.S. advisors assigned to the project (16 staff months) through authority for this supervision could be delegated to one of the other long-term specialists, when appropriate. The Senior Advisor would also be available for consultation in selecting and processing host government officials for training abroad, and he would assume a viable technical role in restructuring the organization, particularly with respect to centralizing the tax administration, the installation of the internal audit function, advisory assistance to the audit division, etc. Finally, he would be responsible to the USAID Mission and to IRS/TAASD for progress reporting on the project.

The Real Property Evaluation specialist would work primarily with the Real Estate Tax Division. His chief counterpart would normally be the Deputy Commissioner for Real Estate Taxes. He would assist with administrative implications in the implementation of the revised property tax law; with evaluations, assessments, mapping, training, preparation of technical manuals, and other pertinent functions in the Real Estate Tax Division. He would also assist in drafting work scope outlines for short-term advisors to that office and in other pertinent activities of the Tax Advisory Team. He would report to the Senior Advisor and furnish such activity reports as were required.

The Collection/Systems advisor would work with all direct tax offices, including Miscellaneous Taxes and the Motor Vehicle License Division. He would advise in office procedures, collection activities, files, the preparation of appropriate manuals, and the establishment of effective operating units within his area of expertise. He would assist in the gathering and reporting of appropriate statistics, training courses, and in making recommendations for improving processing, forms, space and the utilization of appropriate personnel and in assisting the Real Property Tax Office when needed. He would report to the Senior Advisor and furnish such activity reports as were required.

The short-term technicians would advise in the speciality areas of Evaluation of Rural Properties (6 months), Mapping (3 months), Internal Audit and Inspection (3 months) and Management Information (3 months). They would also assist in appropriate on-site training programs as needed. Two specialized on-site training programs are provided principally for technicians. The two short courses in Advanced Auditing Techniques and Tax Collection procedures will require a total of one staff month of on-site service to coordinate with the long-term advisors in teaching the courses.

Formal training abroad will include orientation for four top policy/administrative executives, IRS Middle Management Training for tax managers, and a formal course in tax administration for one senior tax administration official.

The orientation course for the top policy/administrative executives will incorporate a visit to all operational levels of the U.S. Internal Revenue Service. The developing country executive has an opportunity to meet and talk with top IRS tax officials in all major line and staff management areas. The informal course is designed to demonstrate to those officials the interrelationship of the various tax administration functions, and to orient them to the necessity for considering administrative implications prior to any final policy decisions in the taxation areas. These orientation courses are normally of two weeks duration.

The IRS Middle Management Courses for managers below the level of the Commissioner of Internal Revenue are practical courses in tax administration management. They incorporate formal training with officials from other developing countries, affording the participants a forum for the mutual discussion of problems and the interchange of ideas. The participants also have an opportunity to visit the various organizational levels and functions of the Internal Revenue Service, and discuss procedures and problems with local officials. A total of four staff and line managers are proposed for these courses which normally last from seven to nine weeks.

In addition it is proposed that during the third year of the project one particularly effective middle manager be identified and selected to attend a special twenty-two week course in tax administration at the Institute for Tax Administration at the University of Southern California. This is a high level comprehensive course that treats with all levels of tax administration. The course is unique with USC. The instructor corps is drawn from top level experienced (usually retired) tax executives from IRS. The emphasis is on the practical.

The project also provides for minimal commodity inputs such as calculators, typewriters, drafting equipment, files and a project vehicle to support specific project activities. The USAID costs amounts to about 3½% of the total AID counterpart contribution. GOL commodity costs for such items as desks, chairs, bookkeeping machine and vehicles represent about 17% of total GOL counterpart.

Principal inputs from the GOL would be operational project support, expanded facilities, support for the advisory team and limited commodity support. (See Annex B.3 for cost breakdown.)

b. Outputs

The principal output will consist of the establishment and/or upgrading of all major functions in the tax departments including in the case of Income Tax and Auditing Divisions, the taxpayer registers, collection, auditing, files for tax returns and other documents, processing, receipt of returns and payments, delinquent accounts and returns, taxpayer education and appropriate training. In the case of the Real Estate Tax Division, a basis for an urban fiscal cadastre will have been established and a block and parcel numbering system will be developed.

A cross-reference parcel/owner tax roll for real estate taxes will be prepared and implemented.

Property identification and evaluation procedures will have been committed to written manuals and a system for tax mapping and other essential support for property tax assessments will have been completed.

In the property tax area specialized training will have been given to appropriate technicians in drafting, enumeration, and property identification and evaluation.

Attention to improved procedures for processing returns, licenses and other documents, upgrading and securing files and related activities will be given to appropriate functions in the Miscellaneous and Motor Vehicle License Division.

At least five procedural manuals will have been prepared or perfected in the income tax, audit, and property tax activities, and two periodic on-site training courses in simplification of office practices and effective communication will have been developed along with local instruction capability. Unique records will be controlled in locked files, real estate maps for the City of Monrovia will have been completed, and, substantially, all properties there will be identified and placed on the property tax roll.

As a result of improved management, better technical skills and more efficient procedures and systems tax revenues from direct taxes will be increasing at a minimum rate of 15% a year, after inflation.

Procedures for receiving, recording and transmission of payments and tax returns will also be developed and installed for the 23 Collectorates throughout the country and for the central office in Monrovia.

An Internal Audit and Inspection Unit will be installed and staffed. The Income Tax Division, the Audit Division, and others as appropriate will be incorporated into a Centralized Bureau of Internal Revenue under a single Commissioner.

Substantially all technical and managerial personnel will have been subjected to job-related training. At least four managers will have attended IRS Middle Management

Training in the United States and at least four top policy executives will have had orientation to a modern, sophisticated tax system. The latter will enable those executives to better understand modern tax administration systems and their relationships to tax policy.

For a summary of the program goal project purpose, inputs and outputs, the interrelationship of those, and quantification of projected results see the Logical Framework Matrix, Annex A.

III. Project Analysis

A. Public Policy and Develop.:ent

Since his accession to the Presidency in 1971, Dr. William R. Tolbert, Jr., has demonstrated repeatedly his concern for the low levels of social and economic progress in Liberia. His success in correcting those ills, to be certain, has been uneven. Life is so difficult for most of the population, 80% of whom scratch out a meager living from the soil, that when a person achieves a position of fiscal or political eminence, he tends to share his largess begrudgingly. Liberia is similar to many developing economies in the lack of good institutionalized social programs, an effective civil service system for its public servants, an excess of political patronage and increasing pressures on recurrent expenses that inhibit a strong capital development budget.

However, President Tolbert's efforts at social betterment were cultimated recently in the adoption of the previously mentioned Na... al Socio-Economic Development Plan in 1976. That plan is now the cornerstone for social and economic progress in Liberia.

In lobbying for an integrated development plan President Tolbert said "O. necessity in past years, economic development in Liberia has centered around the formulation and implementation of several isolated economic projects. In the case of the public sector, projects were programmed on an annual basis and expenditures were reflected m. inly through an annual development budget. This approach lacked foresight into the problem of choice between present and future growth; and overlooked more often than not, the greater need for providing those necessary requirements for the achievement of sustained economic growth."

"When I became President of Liberia .... I realized that Liberians were living at mostly different levels of increasing wealth and accelerating poverty." .... "I have continuingly sought to determine a consistent policy of development .... which would benefit all of our ~~[illegible]~~ people,.... especially the subsistence sector of our economy."

"The present four-year Socio-Economic Development Plan .... is a reflection of some of the early hopes of progress and change which we have expressed."

In addition, in his message to the Legislature in January 1977, the President in referring to the Development Plan cited 1976 as the "year of implementation and improvement." He pointed out that "we are spending three times more today than we spent in 1971 to advance the development of the nation." He then cited specific projects in the interior including "a market in Jorwah, Bong County, the rehabilitation and construction of the Sanyoea-Gbonota-Sinyen rural road system, a city market in Bentol City, a new 2.7 mile rural road, new small three-room schoolhourses in rural areas of Sawedee, Grand Cedeh County, rural clinics in Banbala and Gerewende, a rural market in Bleh Town and a 15-mile farm-to-market road in Loffa county."

In supporting the President, the Minister of Planning and Economic Affairs, Mr. D. Franklin Neal stated, "Despite significant progress .... there are still many areas of socio-economic deficiencies in Liberia. For example, solutions must be found for the low productivity of traditional farmers, high incidence of illiteracy, modest level of school enrollment, high infant and general mortality rates...." and "The great majority of the programs in this Plan have a rural development bias." In recognizing the need for foreign assistance to Plan achievement, Minister Neal observed, "Foreign capital and technical know-how are essential factors in the transformation of the nation's national wealth into the resources needed for implementing broad programs of socio-economic development. Accordingly, Government has reaffirmed its "open door" policy of mutually beneficial partnership between Liberia and foreign enterprises as a crucial element of its development strategy."

The GOL launched its ambitious four-year development plan in March 1976 when President Tolbert presented it to the legislature with the observation that "In a developing economy such as Liberia's the problems of poverty, ignorance, and diesease are so striking and the viciousness of the "poverty trap" so staggering that the mere pursuit of survival seems to be a way of life for the majority of a people of low productivity, low per capita income, low savings and investment, and meagre enterprise."

As mentioned, the Plan called for an investment in the development budget of $415 million, $157 million of which would have to evolve from new domestically-generated revenues over the four-year period. Since no new taxes (other than property taxes) are being recommended to support the development objectives, the new "domestically-generated revenues" will have to come from better administration of existing tax laws.

The PLAN is currently (1977) being revised in an effort to assure the proper development bias. While proposals for the coming year's budget and its development implications are not yet available, the President's instructions to the economic team preparing the revision is that recurrent expenses must be held to a near-zero rate of increase. Substantially, all budget increases must go to the development budget.

The PLAN was preceded by substantial, though, as President Tolbert pointed out, uneven, development projects, strongly supported in the National Budget. From 1971 to 1975 the Development Budget almost quadrupled while current account budget was only increasing by about 50%. (See Exhibit A in the Economic and Social Analysis).

B. <u>Social Analysis</u>

1. <u>Beneficiaries of the Project</u>

The principal beneficiaries of the ultimate product from this project will be the rural and urban poor of Liberia.

It is of course obvious, the poor majority will not be <u>direct</u> beneficiaries of the project. Likewise, the construction of a secondary school or a rural clinic, does not in itself benefit the illiterate and the rural poor.

Also, even the ultimate product of better trained tax officials and more efficient tax institutions, i.e., increased revenues will not flow directly from the tax office to the rural and urban poor.

However, the ongoing integrity of any development program, directly aimed at the poor majority, must rely sooner or later on ample fiscal support from the government. If successful projects in <u>any</u> development area are not institutionalized and don't survive the tour of the advisor who helped establish them then the development assistance is is largely wasted.

So the issue is: What forces are in place to assure that increased tax revenues will benefit the poor majority? What has the government done to assure that the fiscal pipeline will transport the aid to where its needed?

In the case of Liberia that force is the ambitious National Socio-Economic Development Plan strongly endorsed by the President and approved in 1976 by the Legislature. An analysis of that plan demonstrates that over 70% of the programs envisioned will impact on the subsistence farmer and other indigent citizens. These are projects for the development of agriculture, forestry, rural market roads, elementary and vocational education and training, rural health clinics, social welfare and others. (See Annex B).

The Plan contemplates that substantial injections of new domestic revenues will be needed to supplement the foreign loans and grants that will be required to finance its estimated cost of $415 million. Specifically, internal revenues will have to contribute $157 million of the total. Other than the major change in the Real Estate Tax Law there are no proposals for enacting new taxes to obtain this revenue. So the new revenues must be raised through existing taxes. Unless sharp increases in tax rates are proposed that can only be done if tax administration is substantially improved. For that reason the GOL is extremely anxious to develop more effective tax administration.

Liberia has been fortunate in recent years in generating revenues in excess of recurrent annual expenditures to the end that unstructured development has accelerated. Indeed, as mentioned, President Tolbert pointed out when presenting the Plan to the legislature, that present (1976) development spending was three times what it was in 1971. However, to fund this new development program, present excess revenues over the requirements for recurrent expenditures are far short of what is needed. It is probably safe to say that if substantial new revenues are not raised through taxation the ambitious Development Plan is foredoomed.

2. Role of Women

The GOL does not discriminate in appointing women to important technical and managerial positions. Presently there are a number of capable women serving at both levels. The Deputy Minister of Finance for Fiscal Affairs and Banking is a woman. The Director of Administration in the Ministry is also a woman as is the Chief Legal Advisor to the Minister. As noted other women occupy technical and supervisory positions.

C. Technical Analysis and Environmental Assessment

1. Technical Analysis

The project will emphasize institutionalization and modernization of all important internal tax administration functions, their eventual egration under a single Internal Revenue Office, the evaluation and appraisal of taxable properties in accordance with the new property tax law, and formal and informal training for substantially all technicians and managers.

Beyond the IRS furnished advisory services there are few project-related technical considerations. Project commodity budgets are modest, and germane (See Annex B). Project planning appears adequate and comprehensive. The timetable, the allocation of costing for technical service, training, commodities and other items appears both timely and reasonable.

The expected payoff in terms of new revenues to support development projects is very high. (See Annex B.1) The development plan and budget to which these revenues will be primarily allocated has a strong bias in favor of Liberia's Rural and Urban poor. (See Table 2 in this Section.)

Following is a detailed analysis of project elements by category; and by donor.

a. <u>Technical Assistance</u>

1) <u>Description</u>

The plan contemplates three advisors for the project life. A real property/evaluation advisor to concentrate on the Real Property Tax Office and especially the implementation of the new law. A Collection - O&M advisor who will work with all offices to institutionalize the collection function, development and updating of filing systems, forms design, processing of documents, etc. The third would be the generalist Senior Tax Advisor who would coordinate the entire program, including the development of new functions (internal audit and inspection, centralization of authority, etc.). The senior advisor would be responsible for overall project management, including reporting, evaluation, etc.

The 15 months of short-term specialists includes 6 months for a Real Property Rural Evaluation expert, 3 months for a mapping specialist, 3 months for an Internal Audit and

Security Advisor and 3 months for a Management Information specialist.

2) Technical Soundness

The technical advisors all of whom will have had heavy experience in development assistance are the major inputs to this project. All project objectives will depend on their successful performance. Advisory assistance proposed is the minimum necessary for achieving project goals.

b. Training

1) Description

Management training in the U.S. (IRS) is proposed for four tax officials and a special course in Tax Administration at the University of California for one outstanding official in the third project year is also proposed. Also orientation visits to IRS are scheduled for four policy officials. In addition on-site training in Intermediate Accounting and Advanced Auditing Techniques is proposed for 10 technicians, programmed training for real property technicians, and other courses are also planned.

2) Technical Soundness

History with similar tax administration projects has demonstrated the effectiveness of job oriented training. Managers in developing country institutions are usually very weak in modern administrative techniques. These courses can help to remedy that defect. The need for more training for technicians has been identified by all past studies of tax office operations.

c. <u>Commodities</u>

1) <u>Description</u>

USAID's commodity contributions will consist primarily of electric and manual typewriters, adding machines, electric calculators, suspension and locking files (for unique records), photo copiers, drafting tables and equipment, map files, field kits, and one vehicle for the property tax advisor.

GOL's commodity input, including a substantially increased maintenance budget, includes furnishings for existing and expanded offices - i.e. about 128 desks, tables, chairs, office supplies, and 5 Jeeps for project assignment. The GOL will also contribute substantial office space and administrative and secretarial support for the USAID/IRS tax team.

2) <u>Technical Soundness</u>

Commodities, facilities, and improved maintenance are all essential to project success. Tax collectors, auditors, real property appraisers and advisors will all require minimal office equipment and transportation to achieve project goals. The real property element in particular will require considerable new equipment and furnishing to cope with the wholesale charge in the manner of property evaluation under the new law.

d. <u>Other Elements</u>

1) <u>Description</u>

Other elements consist primarily of in-country travel, project related publications and the like.

2) Technical Soundness

The allocation of minimal budget support for travel and project related publications is essential to project success. Miscellaneous elements account for only about 1/10% of project costs.

2. Environmental Assessment

a. Examination of Potential Environmental Impact

While a number of the projects to be financed from increased tax revenues would have varying degrees of environmental impact, this project has none.

Its primary concern is upgrading the tax system through improving the people, the functions and the equipment which support it. There are no environmental considerations in the activities that would achieve those objectives.

b. Recommendation for Environmental Action

In view of the nature of this project, it is concluded it has no environmental implications and therefore it is recommended that the Threshold Decision be negative and that no Environmental Assessment or Environmental Impact Statement is required.

D. Economic and Social Setting

Liberia receives economic assistance from many countries, including the United States, the Federal Republic of Germany, Italy, the Republic of China and others. It also receives assistance from the United Nations, the World Bank, the African Development Bank and USAID.

Although the majority of Liberians are subsistence farmers, this country has a relatively high level of activity in plantation agriculture and iron ore mining. A significant amount of capital equipment imports are purchased directly by private concessionaires - mostly American.

Iron ore accounts for about 67% of Liberia's exports. Rubber is second in importance with about 12%. Diamonds, logs and lumber account for most of the remainder. Total exports in 1975 were $394.3 million.

Imports are principally machinery and transportation equipment (35%), industrial products (20%), petroleum and petroleum products (12%), and foodstuffs and tobacco (7%). Total imports during 1975 were $331.2 million leaving Liberia with a favorable trade balance of $63.1 million.

GDP (Monetary Economy) in 1973, the most recent year for which complete figures are available, was estimated at $427.3 million. Of this mining and industry including manufacturing produced 41%; commerce, about 17%; agriculture, forestry and fishing accounted for 15%; and trade, restaurants and hotels 13%.

The traditional agricultural sector is outside the monetary economy. It accounted for an estimated $35 million in output in 1972.

Since 1971, recurrent expenditures (excluding recurring components of the Development Budget) have grown at the relatively fast rate of 13.2% annually, from $51.2 million to $77.1 million. (See Table 1 this Section). Current budget surplus increased from $18.7 million in 1971 to $48.3 million in 1975. Allocations for increasing expenditures for the Development Budget as noted increased at even a faster pace from \$6.7 million in 1971 to \$25.3 million in 1975. However, to reach the projected allocations for the new Development Plan, this increase, must be substantially accelerated. The government needs \$157 million in new domestic revenues over the 1976-80 Plan period to achieve its funding objectives.

This project is the primary response to that need.

Table 1 also lists tax revenues for the 1971-75 period. Preliminary figures for 1976 indicate total collections for Income, Property, Miscellaneous Taxes and Motor Vehicle License fees to be \$58,816,000. The latter two categories totaled \$5,665,000 in 1975. All four categories of revenue will receive IRS advisory assistance over the proposed project period.

TABLE 1 - SUMMARY OF CENTRAL GOVERNMENT FINANCES, 1971-1975

	1971	1972	1973	1974	1975 (prel.)
	($ Million)				
REVENUES	69.9	78.2	89.8	108.6	125.4
Tax Revenues	57.8	62.1	70.9	89.1	89.8
(Income and Profit)	(27.0)	(27.5)	(31.5)	(41.5)	(47.0)
(Property)	(1.2)	(1.4)	(1.6)	(1.6)	(2.0)
(Domestic Transactions)	(3.8)	(5.1)	(7.3)	(7.8)	(8.0)
(Foreign Trade)	(22.0)	(23.4)	(24.9)	(33.0)	(33.8)
(Other)	(3.8)	(4.7)	(5.8)	(5.2)	(8.0)
Non Tax Revenue	12.1	16.1	18.9	19.5	26.6
CURRENT EXPENDITURE	51.2	52.2	61.4	74.2	77.1
Wages and Salaries	25.3	25.4	29.6	34.0	40.7
Goods and Services	15.1	18.1	22.3	28.0	24.9
Interest	6.0	5.0	4.7	4.3	3.9
Other	4.8	3.7	4.8	7.9	7.6
Current Surplus/Deficit	18.7	26.0	28.4	34.4	48.3
DEVELOPMENT BUDGET	6.9	7.4	11.1	14.9	25.3
Budgetary Surplus/Deficit	11.8	18.6	17.3	19.5	23.0
NON-BUDGETARY EXPENDITURE	19.0	19.5	19.2	15.5	12.0
Overall Surplus/Deficit	-7.2	-0.9	-1.9	4.0	11.0

TABLE 2

[1]SUMMARY OF DEVELOPMENT EXPENDITURE, CLASSIFIED BY SECTOR

(in US $000,000)

Sector			All Projects Total($)			Percentage Distribution
Agriculture			$ 72			17.3
Forestry			8			1.9
Road Transportation			138			33.2
Social and Community Services (Education, Health, Housing, Rural Programs, Social Welfare)			74			17.8
TOTAL (Indigent Impact)			$292			70.2
Manufacturing Industry	($)	17		(%)	4.1	
Other Transportation/ Communication		36			8.7	
Public Utilities (Includes Water & Sewage)		48			11.6	
Miscellaneous (Public Bldgs, Tech. Assistance)		22			5.3	
			123			29.8
TOTAL, All Sectors			415			100.0

[1]Source: National Socio-Economic Development Plan, Chapter III, Page 11, Table 6

The reputation of Liberia as one of the most attractive investment areas in Black Africa is reflected in the U. S. investment in that country. In 1975 the Department of Commerce estimated U. S. Investment in Liberia at $303 million, almost triple the GOL's total tax revenues for that year.

As previously referenced the economic and social benefits to accure to the target group from this project are very high. A projection relating to the four-year life of the project is set out in Annex B.1. Since the project will continue to produce substantial benefits after termination and after completion of the present Socio-Economic Development Plan, future benefits to Liberia's rural and urban poor will be limited only by the scope of future development programs and the GOL's discipline in hewing to development targets.

E. Financial Analysis

The financial viability of this project is discussed in Section C, preceding and deomonstrated in tabular form at Annex B.1. The government's ability to finance on-going and new development efforts from current revenues after project completion is assured if project objectives are met as planned.

This analysis relates to data presented in the four Exhibits following:

Exhibit A:	Summary Cost Estimate and Financial Plan (Total Project Costs)
Exhibit B:	Financial Plan - Inputs (Breakdown of AID/GOL inputs by project year)
Exhibit C:	Costing of Project - Inputs/Outputs (Relationship of Project inputs to outputs)
Exhibit D:	Project Summary - AID Appropriated Fund (AID's project element costs, by year)

The project life is proposed for four years. Total funding is budgeted at $1,682,000. USAID's grant-funded contributions will be $1,257,000; the GOL contribution is $425,000. There is no other funding proposed for the project.

The GOL counterpart contribution, which meets AID's guidelines is made up of project-related operations support, facilities, commodities, transportation and office and secretarial support for the USAID/IRS advisory team.

AID's principal input will finance technical assistance and training. A small percentage of AID's contribution (about 3 1/2%) will support project related commodities.

After termination of AID's project funding it is anticipated the surfacing tax administration office will require no outside financing beyond normal GOL budget appropriations.

EXHIBIT A - SUMMARY COST ESTIMATE AND FINANCIAL PLAN
(U.S. $000)

Title: Tax Administration Modernization
Project No:

USE/SOURCE	AID	GOL	TOTAL
1. Full Time Advisory Support	$ 960	$ 28	$ 988
2. Full Time Operations Support	--	216	216
3. Short Term Advisory Support	138	--	138
4. Formal Training and Orientation	47	--	47
5. Commodities and Facilities	40	161	201
6. Travel and Miscellaneous	12	--	12
7. Inflation Factor	60	20	80
	$1,257	$425	$1,682

EXHIBIT B - FINANCIAL PLAN - INPUTS

(U.S. $000)

FUNDING PERIOD	INPUTS*	AID	GOL	TOTAL
FY 1978	U. S. Technical Services	336		336
	Training	14		14
	Commodities	26	31	57
	Travel & Misc.	3		3
	GOL Operations Support		59	59
	Advisory Team Support		12	12
	Maintenance and Facilities		22	22
	TOTALS	379	124	503
FY 1979	U. S. Technical Services	320		320
	Training	25		25
	Commodities	10	20	30
	Travel & Misc.	3		3
	GOL Operations Support		59	59
	Advisory Team Support		6	6
	Maintenance and Facilities		22	22
	TOTALS	358	107	465
FY 1980	U. S. Technical Services	261		261
	Training	2		2
	Commodities	4	22	26
	Travel & Misc.	3		3
	GOL Operations Support		59	59
	Advisory Team Support		5	5
	Maintenance and Facilities		21	21
	TOTALS	270	107	377
FY 1981	U. S. Technical Services	236		236
	Training	9		9
	Commodities	2	2	4
	Travel & Misc.	3		3
	GOL Operations Support		59	59
	Advisory Team Support		5	5
	Maintenance and Facilities		21	21
	TOTALS	240	87	327
	GRAND TOTALS	1257	425	1682

*Detailed breakdown is available (Baseline Data)

EXHIBIT C

COSTING OF PROJECT INPUTS/OUTPUTS

(U.S. $000)

Inflation factor has been spread back over Input totals, so they will vary slightly from Exhibit A

OUTPUTS / INPUTS	Training of Management and Technical Personnel	Orientation of Senior Personnel	Establishment of Periodic Regional Training Program	Organizations Changes	Establishment and/or Upgrading Tax Admin. Functions	Special Real Estate Outputs Cadastre - Tax Roll, etc.	TOTAL
Full Time Advisors	53	3	6	50	825	100	1037
Short Term Specialists	75		15	30		25	145
Training Programs	39	11					50
Commodities and Facilities					161	50	211
Project Staffing				45	152	30	227
Travel and Miscellaneous		2			6	4	12
TOTAL	167	16	21	125	1144	209	1682

EXHIBIT D

PROJECT SUMMARY - AID APPROPRIATED FUND
(U.S. $000)

Title: Tax Administration Modernization

Project No.:

*(Contract Costs - Other Agency)

Cost Components	Budget Years (Fiscal)				
	TOTAL	1978	1979	1980	1981
U. S. Technicians	$1098	319	305	249	225
Participants	47	12	24	2	9
Commodities	40	27	9	3	1
Travel and Misc.	12	3	3	3	3
Inflation Factor	60	20	16	12	12
TOTAL	1257	381	357	269	250

*No direct hire AID Costs.

IV. IMPLEMENTATION PLANNING

A. Organization of Tax Administration in Liberia

Income Tax Administration in Liberia is divided into two principal organizational components, the Income Tax Division and the Audit Division. The prior USAID/IRS advisor worked almost exclusively with the Income Tax Division, which is involved in the receipt of tax returns, accounting for revenues collecting and pursuing delinquent accounts and returns. The Audit Division is responsible for tax return audits, and corresponding assessments or credits.

There are also 23 regional collectorates in the interior which receive both tax returns and tax payments. Other internal revenues derive from taxes on local rentals, Real Estate Taxes, Hut Taxes, Miscellaneous Taxes, and Motor License fees.

The Property Tax Division is composed of two major operating sections: The Valuation Section whose main responsibility is the assessment of all real property in Liberia; and the Accounts and Billing Section, primarily responsible for keeping records of tax receipts and preparing bills for delivery to taxpayers.

Improved collections followed advances made during the two year tour of the departing advisor in such areas as improved staffing, technical training, procedures for processing certain documents, limited follow-up on delinquent accounts, new income tax files, and master files of taxpayers for withholding tax, estimated taxes and taxpayers liable for filing business tax returns. However, ther remains a substantial gap in tax administration in Liberia.

The absence of a functioning Civil Service creates some equity problems in salary payments in the tax offices, and some morale problems as well. USAID is presently working with the GOL c the establishment of a Civil Service in Liberia. Preliminary recommendations have been approved by the President within the last year, but up to now, there has been no meaningful implementation.

The shortage of qualified managers, particularly at the first line and mid-managerial levels, presents another serious impediment to effective tax administration. There is an urgent need for both on-the-job and formal training for these officials. The lack of discipline and follow-through is another significant drawback, as are inadequate planning and insufficient control over employees, other resources, and procedures.

Technical personnel are likewise inadequately educated and improperly trained. Most filing systems are inadequate, office procedures are poorly defined and not properly written, delinquent accounts and returns are not processed according to an orderly plan, and work discipline is generally poor.

As pointed out in the departing advisor's end-of-tour report, if a taxpayer refuses to honor a demand for payment, remedial collection procedures are agonizingly slow. A draft law that would give the Minister of Finance or his delegate unilateral authority to seize property to satisfy tax debts is now before the President. The bill will eventually have to be approved by the legislature. This is an example of the type of "administrative" change needed to make tax enforcement more effective in Liberia.

The Audit Division, presently managed by a contracted professional American, normally an integral part of an Income Tax Office, is an independent function, reporting directly to the Minister of Finance. The other tax functions report to the Deputy Minister for Revenues. However, this project calls for the eventual integration of the Audit Division into the Bureau of Internal Revenue, with centralization of top administrative management for all other tax functions as well.

Liaison with the 23 outlying field collectorates is extremely tenuous. The central office is not properly advised of either the receipt of tax payments or tax returns by the regional offices. This results in embarrassing double-billing and inclusions on delinquency lists of taxpayers who have already filed their tax returns. Additionally, there have been some embarrassing cash shortages in some of the Collectorates.

While there is inadequate equipment for the tax function and insufficient transportation for auditors, collectors, canvassers, and real estate tax assessors and field personnel, a major problem with all equipment is the poor state of maintenance and complete lack of a program for periodic inspection. A required counterpart contribution by the GOL in this project is a proposed substantial increase in the maintenance budget.

Present tax officials are very aware of the maintenance problem. They are beginning to realize that inadequately maintained equipment is equipment that is lost to the enforcement process. They are dedicated to improving this situation. New project vehicles purchased by the GOL will be routinely subjected to improved maintenance schedules.

Other administrative problems such as inadequately trained managers and technicians, the lack of written procedural manuals, poorly designed forms, unreconciled tax receipt registers, and insufficient supplies to support the tax office functions will be dealt with the body of this report.

Beyond this the Real Property Tax Office will be faced with a completely new law to administer. The proposed site-based law is a radical departure from the present law which taxes urban sites or lots at a flat rate of $2.00 a lot, rural land at flat rate of $.10 an acre, and buildings at assessed market values. New evaluators must be recruited and trained, supporting equipment must be acquired, increased space needs must be met, obsolete and inadequate files will have to be updated and revised, and demands for more efficient management will be greater than ever before.

Given the acknowledged endemic tax evasion in Liberia, the lack of taxpayer education, weak collection procedures, other administrative shortcomings, and integrity problems in the Tax Department itself, it is quite evident there is much to be done through better enforcement, strengthened procedures, establishment of internal audit and inspection, and more effective training for managers and technicians.

B. IMPLEMENTATION PLAN

1. Intensive Review

The intensive review was completed with the preparation of the PRP. In view of the recent decision to eliminate the PRP that document was converted directly into this Project Paper (PP), following a meeting at USAID/W at which major issues were identified.

2. Project Implementation

The Senior IRS advisor should be on-site in Liberia as near the beginning of the fiscal year as possible. This will assure early continuity with the existing recently terminated project in the Income Tax Office, and some overlap with the previous advisor, who is retired and back in Liberia on a personal services contract. The Real Property and Collection-O&M advisors should follow shortly thereafter.

The major categories of AID inputs are technical assistance and training. There is also minimal project commodity and transportation support. Based on a projected 160 staff months technical assistance and training and $54,000 for commodities and transportation the following implementation schedule is proposed:

a. FY 1978

A total of 40 staff months will be provided including 12 months of the senior advisor, 12 each for the Property Tax and Collection/Systems specialists. The remaining 4 months will be supplied by a specialist in Rural Property evaluation and a Mapping Specialist for the Property Tax Office. Depending on arrival of full time advisors the 40 staff months above could be scaled down somewhat.

Orientation to the IRS Tax System will be provided to one top policy executive and IRS/INTAX management training to one management official in the tax department.

Approximately 75% of project commodities will be in place during the first year of the project.

b. <u>FY 1979</u>

A total of 45 staff months will be provided including 36 of the full-time advisors. The remaining 9 months will be supplied by a Rural Property Evaluation Specialist, a Mapping Specialist, an Internal Audit and Inspection Advisor, a Management Information (Statistics) Specialist, and instructors for on-site technical courses in advanced audit techniques and collection procedures.

A top policy official will be sent on an orientation visit to the IRS Tax System, two tax management officials will be given IRS/INTAX management training, and one high level administrative manager will be selected for the specialized academic program in tax administration at the University of Southern California. About 30 technicians will receive the on-site training cited in the previous paragraph.

Approximately 90% of project commodities will be in place at the end of this year.

c. <u>FY 1980</u>

A total of 39 staff months will be provided including 36 from the long-term advisors. The remaining three will be provided by a Rural Property Evaluation specialist and a Management Information (Statistics) advisor.

One top policy official will be selected for orientation to the IRS Tax System

The centralization of the Internal Revenue Office will have been effected and the Internal Audit and Inspection function will be functional.

More than 95% of the commodities budget for this project will have been committed at the end of the third year.

d. FY 1981

A total of 36 staff months will be provided by the long-term advisors in the fourth project year.

One top policy official will be sent on the orientation visit to the IRS Tax System and one administrative managment official will receive IRS/INTAX management training.

Formal project training will have been completed and 100% of the commodities budget will be committed at the end of FY 1981.

During the entire project life AID/IRS inputs will be coordinated with those of the GOL to assure orderly achievement of the project objectives.

3. Project Implementation Schedule

-- Timetable

a. August 1977 PP Developed and Submitted

b. September 1977 PP Approval

c. October 1977 PROAG and PIO/T Signed

d. November 1977 Chief of Party On-Site

C. <u>Evaluation and Monitoring Plan</u>

The project manager for this project is the Senior Tax Advisor.

The project manager will prepare periodic narrative reports, no less often than quarterly, reporting on achievements, setbacks, impediments and delayed sub-projects and plans for future actions. The reports will be quantified to the extent possible, and at least annually will record revenue collections in project-related tax areas.

Failure to achieve planned objectives must be explained and alternative objectives must be established if feasible.

The project will also be monitored in terms of criteria set out in the Logical Framework and the Project Implementation Plan, both included in this PP.

Beyond this, a Project Appraisal Report (PAR) will be submitted, annually, on the project. Other appraisals will be made as required, and a full scale evaluation will be prepared when the project is terminated.

Project-related GOL records must be made available to USAID for inspection and analysis when required to complete an evaluation.

D. Conditions Covenants and Negotiating Status

Most actions required of the GOL prior to project implementation are already achieved. However, there remain the following conditions which must be met prior to execution of the Project Agreement.

a. Agreement to counterpart commitment and evidence of initiation of procurement procedures for some counterpart obligations (i.e. expanded staff, new jeeps, etc.) prior to execution of Project Agreement.

b. The new real estate tax law must be passed and signed by the President before the Real Property Advisor comes on board.

c. The Property Tax Office must be prepared to utilize services of Real Property tax advisor to assist in administering new law. This will be reflected in adequate staffing, facilities and equipment to enable the project to start as planned.

ANNEX A

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

1054

AID 1020-28 (7-71)
SUPPLEMENT 1

Life of Project:
From FY 78 To FY 81
Total U.S. Funding: $1,257,000
Date Prepared:

Project
Title and Number: Increased Revenue for Development No 669-0132

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: The broader objective to which this project contributes:	Measures of Goal Achievement:		Assumptions for achieving goal targets:
Increased mobilization of domestic resources.	1. Increased budget appropriations that impact on the poor majority.	1. Review of GOL budgets.	1. Increased development projects to benefit urban poor.
	2. Improved payment performance on development loans.	2. Review of GOL expenditures.	2. Increased project-related development activity in rural areas.
	3. Increased availability of counterpart funds for project-related development loans.	3. Review of repayment schedules for development loans.	3. Relative economic and political stability in Liberia.
		4. Review of GOL loan portfolio.	

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PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

AID 1020-28 (7-71)
SUPPLEMENT 1

Life of Project:
From FY ________ To FY ________
Total U.S. Funding: ________
Date Prepared: ________

Project
Title and Number: Increased Revenue for Development

Page

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Project Purpose:	Conditions that will indicate purpose has been achieved: End of project status		Assumptions for achieving purpose
To upgrade the capability of the MOF to increase resources from internal taxes.	1. MOF employees using modern procedures (audit, collection, document processing, registers, property identification, valuation) in collecting revenues.	1. Proposed new and changed organizational units installed and functioning.	1. No major legislative changes occur to reduce the tax base.
	2. At least 90% of technical and managerial staff in the internal MOF divisions (tax) engaged in in-service training programs during life-of-project.	2. Review of announcements progress reports and other evidence of training programs for managers, supervisors and technicians.	2. That proposed property tax law will be reviewed for tax administration implications and be passed by the legislature.
	3. Direct Taxes increasing at rate of 15% per annum.	3. Review of annual budgets.	
	4. Existing property and other tax laws/regulations changed or amended to strengthen their administration.	4. Review of appropriate legislation and regulations.	

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PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

3 of 4

AID 1020-28 (7-71)
SUPPLEMENT 1

Life of Project:
From FY________ To FY________
Total U.S. Funding: ____________
Date Prepared: ____________

Project
Title and Number: Increased Revenue for Development

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Outputs:	Magnitude of Outputs:		Assumptions for achieving outputs:
1. Training of technical and managerial personnel in such functional areas as audit and collection techniques, processing of documents, delinquent accounts and returns, drafting, enumeration, (and property identification and evaluation), as well as in management and supervisory skills.	1. More than 90% of managerial and technical employees will have received related training.	1. Review of maps, procedures, files functions and written matter to ascertain that projected outputs are in place and functioning.	1. Joint cooperation from all levels and functions of administration involved.
2. Establishment of regular training programs in audit, work simplification and communications.	2. Approximately 35 employees receiving routine in-house training in audit, communication and work simplification.	2. Review of reports of trainers and participants who have participated in projected training exercises.	2. Substantial implementation of advisory recommendations by Ministry of Finance.
3. Orientation of tax policy and top administrative executives to tax administration and its relationship to tax policy.	3. Senior policy and administrative officials will have received orientation programs.	3. Commissioner of Internal Revenue appointed and functioning.	3. That the proposed changes to the present Property Tax Law will be reviewed by Advisor together with competent Property Tax Attorney, and that it be passed by the Legislature.
4. Establishment and/or upgrading of such functions as taxpayer registers, audit and collection, property identification and evaluation procedures, a system for tax mapping and other essential support.	4. Modernization of tax administration units, including taxpayer registers, audit and collection functions, identification and valuation of property, and other related areas.		4. That competent and sufficiently qualified counterparts be made available to work with advisors.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

AID 1020-28 (7-71)
SUPPLEMENT 1

Life of Project:
From FY ________ To FY ________
Total U.S. Funding: ________
Date Prepared: ________

Project
Title and Number: Increased Revenue for Development

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Outputs:	Magnitude of Outputs:		Assumptions for achieving outputs:
5. Set up basis for an urban fiscal cadastre and develop a block and parcel numbering system.	5. New or updated manuals will be prepared and in use in at least three functional areas of the tax office.		5. That project resources be available on a timely basis.
6. Develop a cross-reference parcel/owner tax roll.	6. City of Monrovia completely mapped.		6. Joint cooperation of all agencies involved (Ministry of Finance, Agriculture, Planning).
7. Reorganization of Internal Tax Office into a single Bureau of Internal Revenue.	7. Complete evaluation (appraisal) of all properties in Monrovia.		
8. Establishment of an Internal Audit and Security function.	8. At least 100% increase in accounts on real property tax rolls.		
	9. Bureau of Internal Revenue operative with adequate budget support.		
	10. Internal Audit and Security function will be operating with adequate budget support.		

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PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

4 of 4

AID 1020-28 (7-71)
SUPPLEMENT 1

Life of Project:
From FY ________ To FY ________
Total U.S. Funding: ________
Date Prepared: ________

Project
Title and Number: ________

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Inputs:	Implementation Target (Type and Quantity)		Assumptions for providing inputs:
1. Full time Technical advisory assistance for project duration: a) Senior Tax Advisor b) Real Property Tax Evaluation Specialist c) Collection Systems Advisor	See cost estimate and financial plan for project.	1. See Evaluation Plan.	1. All funds, personnel and commodities will be available on a timely basis.
2. Approximately 15 months specialized short term assistance in real property survey techniques, training development, management analysis, and internal audit and security.		2. Review of technical reports and installation of commodities.	2. Project budget will not be eroded by excessive inflationary pressures on estimated costs.
3. Orientation and training course programs including development costs, instructions and participant support.			
4. Essential commodities to support project objectives (e.g. typewriters, adding machines, calculators, filing cabinets, drafting and other office equipment, transportation and appropriate books and publications).			
5. Special allowance for miscellaneous costs including inflation and essential travel allowances.			

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Project Technical Details
Calculation of Additional Revenues to be Generated as a Result of Improved Tax Administration in Liberia

LIBERIA - INTERNAL TAX COLLECTIONS
(Preliminary - FY 1976)

Income and Austerity Taxes		$ 62,287,000
Reduced by:		
Austerity Tax	$ 7,724,000	
Tax on Non Residents	3,734,000	$ 11,476,000
Adjusted Domestic Income Taxes		$ 50,811,000
Plus:		
Property and Lease Taxes	$ 2,340,000	
Motor Vehicle Licenses	2,342,000	
Other Miscellaneous Taxes	3,323,000	8,005,000
Adjusted Project Related Taxes		$ 58,816,000

Project anticipated net annual average increase: 15%
Compounded @ 4 years = 74.9%; @ 10 years = 304.2%

Increase by year		From Base
1st year - $58.8 million x 115%	= 66.8 million =	+ $ 8.0 million
2nd year - 66.8 million x 115%	= 76.8 million =	+ 18.0 million
3rd year - 76.8 million x 115%	= 88.3 million =	+ 29.5 million
4th year - 88.3 million x 115%	= 101.5 million =	+ 46.7 million
Total increase 15% compounded 4 years		$102.2 million

Based on above, over the project life of 4 years, additional revenues from project related taxes would total $102,000,000, assuming a compounded growth (after inflation) of 15% p/a. This is more than 60 times estimated project cost of $1.6 million.

Liberia

Baseline Data - Inputs (USAID)

(In $000)

	TOTAL	1978	1979	1980	1981
TECHNICAL ADVISORS					
1 Senior Advisor (FC 12/10)	350	95	85	85	85
1 Real Property Evaluation Advisor (FC 11/10)	305	80	75	75	75
1 Collections - O&M Advisor (FC 11/10)	305	80	75	75	75
2 On-Site Courses - Accounting/ Auditing/Collections (FC 11/10)	13	—	13	--	--
1 Real Property Evaluation Advisor (FC 11/10)	50	17	17	16	--
1 Real Property Mapping Specialist (FC 11/10)	25	17	8	--	--
1 Internal Audit/Inspection Advisor (FC 11/10)	25	--	25	--	--
1 Management Information Specialist (FC 11/10)	25	--	17	8	--
SUB-TOTAL - TECHNICAL ADVISORS	1,098	289	315	259	235
Plus 5% Inflation Factor	55	17	15	12	11
TOTAL	1,153	306	330	271	246
TRAINING					
IRS Orientation Senior Officials	10	2.5	2.5	2.5	2.5
INTAX/Middle Management (4 Parts)	24	6	12	--	6
Tax Admin. Academic Course (1 Part)	12	3	9	--	--
Programmed Training-Real Property (15 Parts)	1	1	--	--	--
SUB-TOTAL - TRAINING	47	12.5	23.5	2.5	8.5
Plus 5% Inflation Factor	3	1.0	1.5	--	.5
TOTAL	50	13.5	25.0	2.5	9.0

(In $000)

	TOTAL	1978	1979	1980	1981
COMMODITIES					
5 Electric Typewriters	2	1.2	.4	.4	--
20 Manual Typewriters	4	2.0	1.0	.6	.4
22 Adding Machines w/Tapes	2.7	1.4	.9	.4	--
5 Electric Calculators (12 digit)	1.5	1.2	.3	--	--
17 Electric Calculators (8 digit)	3.4	2.0	.8	.4	.2
23 Locking Files (4 drawer)	6.0	3.2	1.8	.7	.3
14 4-Drawer Suspension Files	3.2	1.4	.8	.5	.5
2 Photocopiers w/1 year Paper Supply	3.6	1.8	1.8	--	--
1 Jeep-Type Station Wagon (R.P. Advisor	8.0	8.0	--	--	--
6 Drafting Tables & Stools	1.8	1.8	--	--	--
6 Drafting Equipment Sets	.2	.2	--	--	--
6 Map Files (10 drawer - 36 x 48)	2.4	2.4	--	--	--
30 Field Kits, Tapes plus 90' Refills	1.2	1.2	--	--	--
SUB-TOTAL COMMODITIES	40.0	27.8	7.8	3.0	1.4
Plus 5 % Inflation Factor	2.0	1.5	.3	.1	.1
TOTAL	42.0	29.3	8.1	3.1	1.5
IN COUNTRY TRAVEL AND MISC.	12.0	3.0	3.0	3.0	3.0
TOTAL USAID INPUTS	1257.0	351.8	366.1	279.6	259.5

(For a summary of USAID Inputs by Category, See Exhibit D in PP.)

Liberia

Baseline Data - Inputs (GOL)

(In $000)

	TOTAL	1978	1979	1980	1981
*PROJECT STAFFING					
Managers, Technicians, Clerks	236	48	55	62	71
*COMMODITIES AND MAINTENANCE					
1 Bookkeeping Machine	19.0	--	--	19.0	--
7 Executive Desks	2.8	1.6	1.2	--	--
20 Office Desks	2.5	1.2	.5	.4	.4
30 Office Tables	1.5	1.0	.3	.2	--
6 Swivel Chairs	.6	.3	.2	.1	--
65 Office Chairs	2.6	1.3	.5	.4	.4
Copier Paper (3 years)	3.0	--	1.0	1.0	1.0
Office Supplies (Project)	3.0	1.5	.5	.5	.5
5 Jeeps (One 4-Wheel Drive	40.0	24.0	16.0	--	--
TOTAL COMMODITIES	75.0	30.9	20.2	21.6	2.3
MAINTENANCE BUDGET	11.0	5.0	1.5	2.0	2.5
TOTAL	86.0	35.9	21.7	23.6	4.8
FACILITIES (ADDITIONAL)					
Real Property Tax 1,000 sq.ft.	30.0	6.0	15.0	6.0	3.0
Income & Other Taxes 1500 sq. ft.	45.0	9.0	22.0	9.0	5.0
TOTAL	75.0	15.0	37.0	15.0	8.0
ADVISORY TEAM SUPPORT					
Office Space (200 p/mo.-4 yrs)	9.6	2.4	2.4	2.4	2.4
Secretary ($2100 p/a)	8.4	2.1	2.1	2.1	2.1
Vehicle (Project Manager)	7.0	7.0	--	--	--
Fuel, Supplies, Etc.	3.0	.8	.8	.7	.7
TOTAL	28.0	12.3	5.3	5.2	5.2
TOTAL GOD INPUTS	425.0	111.2	119.0	105.8	89.0

* Inflation Factor Included

(For a Summary of GOL Inputs by Category, See Exhibit D in PP.)

6C(1) - COUNTRY CHECKLIST

Listed below are, first, statutory criteria applicable generally to FAA funds, and then criteria applicable to individual fund sources: Development Assistance and Security Supporting Assistance funds.

A. GENERAL CRITERIA FOR COUNTRY

1. FAA Sec. 116. Can it be demonstrated that contemplated assistance will directly benefit the needy? If not, has the Department of State determined that this government has engaged in consistent pattern of gross violations of internationally recognized human rights?

   The U.S. assistance will [illegible] the [illegible] [illegible] of [illegible] [illegible] will result [illegible] [illegible] [illegible] development programs the benefit the needy.

2. FAA Sec. 481. Has it been determined that the government of recipient country has failed to take adequate steps to prevent narcotics drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?

   Yes.

3. FAA Sec. 620(a). Does recipient country furnish assistance to Cuba or fail to take appropriate steps to prevent ships or aircraft under its flag from carrying cargoes to or from Cuba?

4. FAA Sec. 620(b). If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement?

   Yes

5. FAA Sec. 620(c). If assistance is to government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?

6. FAA Sec. 620(e) (1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

   No

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7. FAA Sec. 620(f); App. Sec. 108. Is recipient country a Communist country? Will assistance be provided to the Democratic Republic of Vietnam (North Vietnam), South Vietnam, Cambodia or Laos? — no

8. FAA Sec. 620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S assistance, or (b) the planning of such subversion or aggression? — no

9. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property? — no

10. FAA Sec. 620(l). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, inconvertibility or confiscation, has the AID Administrator within the past year considered denying assistance to such government for this reason? — N/A

11. FAA Sec. 620(o); Fishermen's Protective Act, Sec. 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters, — N/A

    a. has any deduction required by Fishermen's Protective Act been made?

    b. has complete denial of assistance been considered by AID Administrator?

12. FAA Sec. 620(q); App. Sec. 504. (a) Is the government of the recipient country in default on interest or principal of any AID loan to the country? (b) Is country in default exceeding one year on interest or principal on U.S. loan under program for which App. Act appropriates funds, unless debt was earlier disputed, or appropriate steps taken to cure default?

13. FAA Sec. 620(s). What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? (Consideration of these points is to be coordinated with the Bureau for Program and Policy Coordination, Regional Coordinators and Military Assistance Staff (PPC/RC).)

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14. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? No

15. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget?

16. FAA Sec. 620A. Has the country granted sanctuary from prosecution to any individual or group which has committed an act of international terrorism? No

17. FAA Sec. 666. Does the country object, on basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. there to carry out economic development program under FAA? No

18. FAA Sec. 669. Has the country delivered or received nuclear reprocessing or enrichment equipment, materials or technology, without specified arrangements on safeguards, etc.? No

19. FAA Sec. 901. Has the country denied its citizens the right or opportunity to emigrate? No

B. FUNDING CRITERIA FOR COUNTRY

1. Development Assistance Country Criteria

a. FAA Sec. 102(c), (d). Have criteria been established, and taken into account, to assess commitment and progress of country in effectively involving the poor in development, on such indexes as: (1) small-farm labor intensive agriculture, (2) reduced infant mortality, (3) population growth, (4) equality of income distribution, and (5) unemployment.

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b. FAA Sec. 201(b)(5), (7) & (8); Sec. 208; 211(a)(4), (7). Describe extent to which country is:

(1) Making appropriate efforts to increase food production and improve means for food storage and distribution.

(2) Creating a favorable climate for foreign and domestic private enterprise and investment.

3lb

(3) Increasing the public's role in the developmental process.

(4) (a) Allocating available budgetary resources to development.

(b) Diverting such resources for unnecessary military expenditure and intervention in affairs of other free and independent nations.

(5) Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangements, and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise.

(6) Otherwise responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.

c. FAA Sec. 201(b), 211(a). Is the country among the 20 countries in which development assistance loans may be made in this fiscal year, or among the 40 in which development assistance grants (other than for self-help projects) may be made?

d. FAA Sec. 115. Will country be furnished, in same fiscal year, either security supporting assistance, or Middle East peace funds? If so, is assistance for population programs, humanitarian aid through international organizations, or regional programs?

2. Security Supporting Assistance Country Criteria

a. FAA Sec. 502B. Has the country engaged in a consistent pattern of gross violations of internationally recognized human rights? Is program in accordance with policy of this Section?

b. FAA Sec. 531. Is the Assistance to be furnished to a friendly country, organization, or body eligible to receive assistance?

c. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

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6C(2) - PROJECT CHECKLIST

Listed below are, first, statutory criteria applicable generally to projects with FAA funds, and then project criteria applicable to individual fund sources: Development Assistance (with a sub-category for criteria applicable only to loans): and Security Supporting Assistance funds.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? IDENTIFY. HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT.

1. App. Unnumbered; FAA Sec. 653(b)

   (a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than $1 million over that figure plus 10%)?

2. FAA Sec. 611(a)(1). Prior to obligation in excess of $100,000, will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

4. FAA Sec. 611(b); App. Sec. 101. If for water or water-related land resource construction, has project met the standards and criteria as per Memorandum of the President dated Sept. 5, 1973 (replaces Memorandum of May 15, 1962; see Fed. Register, Vol 38, No. 174, Part III, Sept. 10, 1973)?

   N/A

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed $1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?

   N/A

A.

6. FAA Sec. 209, 619. Is project susceptible of execution as part of regional or multilateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. If assistance is for newly independent country, is it furnished through multilateral organizations or plans to the maximum extent appropriate?

7. FAA Sec. 601(a); (and Sec. 201(f) for development loans). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

N/A

8. FAA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

9. FAA Sec. 612(b); Sec. 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.

?

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency and, if so, what arrangements have been made for its release?

?

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(c); Sec. 111; Sec. 281a. Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production, spreading investment out from cities to small towns and rural areas; and (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions?

B1

b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: [include only applicable paragraph -- e.g., a, b, etc. -- which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.]

?

relate to development plan?

(1) [103] for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, is full account taken of needs of small farmers;

(2) [104] for population planning or health; if so, extent to which activity extends low-cost, integrated delivery systems to provide health and family planning services, especially to rural areas and poor;

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(3) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development;

(4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:

(a) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

(b) to help alleviate energy problem;

(c) research into, and evaluation of, economic development processes and techniques;

(d) reconstruction after natural or manmade disaster;

(e) for special development problem, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(f) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

B1

(5) [107] by grants for coordinated private effort to develop and disseminate intermediate technologies appropriate for developing countries.

c. FAA Sec. 110(a); Sec. 208(e). Is the recipient country willing to contribute funds to the project, and in what manner has or will it provide assurances that it will provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least-developed" country)?

d. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing?

e. FAA Sec. 207; Sec. 113. Extent to which assistance reflects appropriate emphasis on; (1) encouraging development of democratic, economic, political, and social institutions; (2) self-help in meeting the country's food needs; (3) improving availability of trained worker-power in the country; (4) programs designed to meet the country's health needs; (5) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and Voluntary Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws; or (6) integrating women into the recipient country's national economy.

f. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

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g. FAA Sec. 201(b)(2)-(4) and -(8); Sec. 201(e); Sec. 211(a)(1)-(3) and -(8). Does the activity give reasonable promise of contributing to the development: of economic resources, or to the increase of productive capacities and self-sustaining economic growth; or of educational or other institutions directed toward social progress? Is it related to and consistent with other development activities, and will it contribute to realizable long-range objectives? And does project paper provide information and conclusion on an activity's economic and technical soundness?

Project will contribute substantially to GOL development activities. (For conservation see revenue projections at Annex 10. 7)

h. FAA Sec. 201(b)(6); Sec. 211(a)(5), (6). Information and conclusion on possible effects of the assistance on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving or safeguarding the U.S. balance-of-payments position.

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2. Development Assistance Project Criteria (Loans only)

a. FAA Sec. 201(b)(1). Information and conclusion on availability of financing from other free-world sources, including private sources within U.S.

N/a

b. FAA Sec. 201(b)(2); 201(d). Information and conclusion on (1) capacity of the country to repay the loan, including reasonableness of repayment prospects, and (2) reasonableness and legality (under laws of country and U.S.) of lending and relending terms of the loan.

c. FAA Sec. 201(e). If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds $100,000, has country submitted to AID an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner?

d. FAA Sec. 201(f). Does project paper describe how project will promote the country's economic development taking into account the country's human and material resources requirements and relationship between ultimate objectives of the project and overall economic development?

e. FAA Sec. 202(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources?

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f. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete in the U.S. with U.S. enterprise, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

3. Project Criteria Solely for Security Supporting Assistance

FAA Sec. 531. How will this assistance support promote economic or political stability?

N/A

4. Additional Criteria for Alliance for Progress

[Note: Alliance for Progress projects should add the following two items to a project checklist.]

N/A

a. FAA Sec. 251(b)(1), -(8). Does assistance take into account principles of the Act of Bogota and the Charter of Punta del Este; and to what extent will the activity contribute to the economic or political integration of Latin America?

b. FAA Sec. 251(b)(8); 251(h). For loans, has there been taken into account the effort made by recipient nation to repatriate capital invested in other countries by their own citizens? Is loan consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress (now "CEPCIES," the Permanent Executive Committee of the OAS) in its annual review of national development activities?

6C(3) - STANDARD ITEM CHECKLIST

Listed below are statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by exclusion (as where certain uses of funds are permitted, but other uses not).

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

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A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of goods and services financed?

   Yes.

2. FAA Sec. 604(a). Will all commodity procurement financed be from the U.S. except as otherwise determined by the President or under delegation from him?

   Yes, except for unforeseen circumstances and GOL commodity purchases

3. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will agreement require that marine insurance be placed in the U.S. on commodities financed?

   N/A

4. FAA Sec. 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity?

   N/A

5. FAA Sec. 608(a). Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items?

   ?

6. MMA Sec. 901(b). (a) Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.

   ? Probably N/A

7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis? If the facilities of other Federal agencies will be utilized,

   No

A7

are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

If "facilities" are "excess" the answer is N/A

8. International Air Transport. Fair Competitive Practices Act, 1974

If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available?

yes

B. Construction

1. FAA Sec. 601(d). If a capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interest?

N/A

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

N/A

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million?

N/A

C. Other Restrictions

1. FAA Sec. 201(d). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?

N/A

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

N/A

3. FAA Sec. 620(h). Do arrangements preclude promoting or assisting the foreign aid projects or activities of Communist-Bloc countries, contrary to the best interests of the U.S.?

yes?

4. FAA Sec. 636(i). Is financing not permitted to be used, without waiver, for purchase, long-term lease, or exchange of motor vehicle manufactured outside the U.S or guaranty of such transaction?

yes

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5. Will arrangements preclude use of financing:

   a. FAA Sec. 114. to pay for performance of abortions or to motivate or coerce persons to practice abortions? N/A

   b. FAA Sec. 620(g). to compensate owners for expropriated nationalized property? N/A

   c. FAA Sec. 660. to finance police training or other law enforcement assistance, except for narcotics programs? N/A

   d. FAA Sec. 662. for CIA activities? N/A

   e. App. Sec. 103. to pay pensions, etc., for military personnel? N/A

   f. App. Sec. 106. to pay U.N. assessments? N/A

   g. App. Sec. 107. to carry out provisions of FAA Sections 209(d) and 251(h)? (transfer to multilateral organization for lending). N/A

   h. App. Sec. 501. to be used for publicity or propaganda purposes within U.S. not authorized by Congress? N/A

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