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42

Agency for International Development

Washington, D. C. 20523

Bureau for Africa

Liberia

Economic and Financial Management and Training

Project No. 669-0184

Authorization Package

Authorization Date: June 9, 1982

UNCLASSIFIED

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR AFRICA

FROM: AAA/AFR/DR, John W. Koehring

SUBJECT: Liberia Economic and Financial Management Project (669-0184)

I. Problem: Your approval is requested for a grant of \$3,000,000 from the Education and Human Resources Appropriation (Section 105 of the Foreign Assistance Act) to the Government of Liberia (GOL) for the Liberia Economic and Financial Management Project. It is planned to obligate \$2,000,000 of this amount in FY 1982.

II. Discussion:

A. Background:

The Liberian economy remains in deep trouble. It has experienced an almost continuous fiscal and balance of payments crisis for the last eighteen months. Since August 1980, the U.S. Government has provided \$53 million in ESF program grants to help the GOL meet its international obligations and deal with its fiscal problems. Provision of an additional \$19 million in FY 1982 is currently being considered. These grants, although essential to GOL efforts to overcome the ongoing crisis, have left the underlying causes of Liberia's economic malaise almost untouched.

Large and stubborn budget deficits are the root cause of Liberia's ongoing fiscal and balance of payments crisis. USAID/Liberia plans to undertake activities to help the GOL improve the economic and financial management of the public sector of the economy with emphasis on reduction of the budget deficit through both increasing revenues and controlling expenditures. On the revenue side, it is planned to extend and broaden the scope of the Increased Revenues for Development Project (669-0132) by enlarging the U.S. Internal Revenue Service team already in Liberia and adding a small team from the U.S. Customs Service. The Economic and Financial Management and Training Project is designed to provide the GOL with assistance in budgeting and expenditure control.

B. Purpose:

The purpose of this Project is to improve the capability of the GOL to manage the public sector of the economy from both the economic and financial standpoints. The Project will focus on helping the GOL improve the management of the budget and expenditure control process.

C. Description of the Project:

The proposed implementation period for the Project is 36 months. The impact of the Project is targeted for two distinct time periods, the short-run (six months to a year) and the near intermediate-run (two to three years). Because of the importance of the goal of economic stabilization, the short-run will have the highest priority and receive all the project resources it can productively absorb. However, because the achievement of economic stability will take considerably longer than one year and because of the importance of maintenance of economic stability once it is reached, significant project resources will be allocated to the near intermediate-run. A.I.D. inputs will include long-term and short-term technical assistance and short-term in-country and long-term academic training.

The desired results of the Project in the short-run are: 1) two long-term advisors in place and providing advice and assistance to the Deputy Minister of Finance and the Director of the Budget on a day-to-day basis, 2) officials involved in financial management at the various ministries with increased understanding and acceptance of program budgeting, 3) improved systems for processing payrolls and expenditure vouchers based on data processing using the MOF computer and 4) the availability of additional short-term technical assistance to meet the GOL's pressing needs.

In the near intermediate term the desired results are a significantly enhanced capability of the GOL to run the public sector of the economy. This enhanced capability would be based on: 1) improved information on problem areas in the GOL budget and expenditure control process, 2) improved budget and expenditure control systems in place and working, 3) increased ability and confidence of GOL officials, particularly in the Ministry of Finance and the Bureau of Budget, to deal with problems in the operation of the budget and expenditure control process as they arise, 4) a majority of the officials involved in financial management at all levels of the various ministries with increased understanding and acceptance of program budgeting, 5) an operating training program for ministry budget and finance officials run by BOB and 6) approximately 14 returned participants with master's degrees from U.S. universities in areas related to public sector economic and financial management.

This Project conforms to current A.I.D. strategy for Liberia. All residents of Liberia will benefit from economic stabilization.

D. Financial Summary:

The total cost of the Project is \$4,047,000. A.I.D.'s contribution will be \$3,000,000 in grant funds over the 3-year life of the Project. The GOL will contribute \$1,047,000 or 26% of the total project costs. All of the GOL contribution except for \$22,400 will be in kind. The breakdown of the funds requested for the first year and life of the Project by cost category is set out below:

	<u>First Year</u> <u>(\$000)</u>	<u>LOP</u> <u>(\$000)</u>
1. <u>A.I.D. Financing</u>		
a. Technical Assistance	1,395	2,018
b. Training	485	701
c. Other Costs	25	55
Sub-Total	1,905	2,774
d. Inflation (FY 84 only)	-	83
Sub-Total	1,905	2,857
e. Contingency (5%)	95	143
Total	2,000	3,000
2. <u>GOL Contribution</u>	427	1,047
Grand Total	2,427	4,047

E. Analyses and Requirements: The Project is technically and financially sound. The PID has been waived. However, the basic project design was approved after executive review. The PP includes a detailed project description, a financial plan and an implementation plan. All other analyses normally included in a PP have been waived. The Project falls within a categorical exception to the provisions of A.I.D.'s environmental regulations. Human rights clearance has been obtained.

F. Implementation:

The PP proposes the following project-specific condition precedent:

"Prior to the initial disbursement of funds under this grant, the Government will, except as the parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

Evidence that the Government continues to comply with the International Monetary Fund Stabilization Program, as may be amended from time to time."

The PP also proposes the following special covenant:

"Except as A.I.D. may otherwise agree in writing, the Government shall covenant that:

Steps will be taken to make it possible for an independent auditor to audit the Government's accounts on an annual basis beginning within two to three years of the date of this agreement".

The project-specific condition precedent and the special covenant are intended to nudge the GOL towards doing what is necessary to put their financial house in order without raising political sensitivities. Two items included in the scope of work for the Economic and Financial Management Consultant (Team Leader) have the same objective:

"2) Review and analyze the problems involved in hiring an independent auditor to audit the Government's accounts and make recommendations for dealing with these problems aimed at enabling the GOL to initiate independent annual audits as soon as possible.

5) Recommend specific areas for financial audit as the need for such an audit is identified during the course of review and analysis of various aspects of the budget and expenditure control process."

The GOL agency responsible for the Project will be the Ministry of Finance (MOF). The other principal implementing agencies will be the Bureau of the Budget (BOB) and the Ministry of Planning and Economic Affairs (MPEA). The implementation plan contained in the PP has been carefully reviewed by the Project Committee which believes that the Plan establishes a reasonable time frame for carrying out the Project.

The Mission Director has determined that host country contracting is inconsistent with the attainment of project objectives. The reasons underlying this determination are set out in the PP.

G. Section 611(a):

The requirements of Section 611(a) of the Foreign Assistance Act have been met. The financial and implementation plans necessary to carry out the Project are contained in the PP. Annex C of the PP provides a reasonably firm estimate of the cost of the Project to the USG.

H. Project Officers:

The Project will be managed in the field by Fred Hagel, Public Administration Advisor. Mr. Edward H. Smith, Jr., AFR/DR/CCWAP, will be the officer responsible for the Project in AID/W.

III. Waivers:

The Project Authorization contains the following waivers:

- A. A waiver of the PID and certain PP Analysis Requirements of Handbook 3. Justification for this waiver is contained in Attachment A to this Action Memorandum.
- B. A non-competitive procurement waiver for the technical assistance contract. Justification for this waiver is contained in Attachment B to this Action Memorandum.

IV. Justification to the Congress:

A Congressional Notification (CN) was forwarded to the Congress on April 14, 1982. No comments or objections were received before its expiration on April 29, 1982.

V. Meetings and Clearances:

A Bureau Project Review (PR) Meeting was held on February 19, 1982. At this meeting no major or substantive issues were raised and the Project was recommended for approval. After a non-substantive revision of the PP, an Executive Committee for Project Review (ECPR) Meeting was held on April 21, 1982.

VI. Recommendation: That you sign the attached Project Authorization and thereby authorize life-of-project funding of \$3,000,000 and the requested waivers.

Attachments: a/s

Drafted: AFR/DR/CCWAP:ESmith:bfc:4/29/82

Clearances:

- AFR/DR/CCWAP:LBond 
- AFR/CWA:FScordato(draft)
- AFR/DP:GCauvin(draft)
- AFR/PMR/RSC:JDavison(draft)
- SER/CM/ROD/LAC:WHawley(draft)
- GC/AFR:LDeSoto
- PPC/PDPR:HLubell(draft)
- PPC/PB:RKramer(draft)
- AFR/DR:NCohen
- DAA/AFR:ARLove

ATTACHMENT A

Justification for a Waiver of the PID and
Certain PP Analysis Requirements of Handbook 3

- (a) Cooperating Country : Liberia
- (b) Project : Economic and Financial Management and
Training Project (669-0182)
- (c) Nature of Funding : Grant

Problem: Confirmation of your approval of a waiver of the PID and certain PP Analysis Requirements of Handbook 3 is required.

Discussion:

The Liberian economy is currently in deep trouble. It has been in an almost continuous state of crisis since mid-1980. The two principal causes of this ongoing crisis are a large and widening foreign exchange gap and large and stubborn budget deficits.

The foreign exchange gap results primarily from stagnating export earnings on the one hand and the need to transfer overseas balances to the domestic economy to finance large budget deficits and increase the money supply on the other. Because Liberia uses the U.S. dollar as its domestic medium of exchange, its overseas balances play a unique role in the economy. Not only are overseas balances used to finance imports and other foreign obligations, but they are also used to finance budget deficits and increase the money supply. Growing demands for overseas balances for these purposes have badly outstripped Liberia's ability to generate them, resulting in a widening foreign exchange gap.

Liberia's large budget deficits stem primarily from: (1) declining revenue growth, (2) bloated military and civil service payrolls, (3) lack of expenditure discipline, (4) subsidies to unprofitable and mismanaged public corporations, (5) mounting debt service and (6) rapidly increasing military expenditures. Since the U.S. dollar is the medium of exchange in Liberia, budget deficits cannot be financed through printing money. Sooner or later they must be financed through the transfer of overseas balances to Liberia. Since budget deficits are a primary cause of both the foreign exchange gap and GOL fiscal problems, they can be accurately characterized as the root cause of the ongoing fiscal and balance of payments crisis.

The adverse effects of the widening foreign exchange gap and large budget deficits have permeated the Liberian economy. The banking system has become increasingly illiquid, a sharp decline in the development budget has caused a parallel decline in public investment and lack of confidence within the private sector has resulted in private investment remaining at low levels. The decline in public and private investment, together with the illiquidity of the banking system, has led to a contracting economy marked by high and increasing urban unemployment.

A joint GOL/IMF \$85 million, two-year, standby stabilization program is in its second year. So far the GOI has met the IMF performance criteria and received each tranche of IMF funding on time. However, meeting the criteria has become increasingly difficult with the distinct possibility that they may not be met.

Since August 1980 the U.S. Government has provided \$53 million in program grants to the Government of Liberia from the Economic Support Fund (ESF). An additional \$19 million is currently under consideration.

These grants, although essential for the GOL to deal with its ongoing fiscal crisis and meet its international obligations, have left the underlying causes of Liberia's economic malaise almost untouched. The prolongation of the current fiscal and balance of payments crisis, the continued decline of the Liberian economy and the recent widening of the financing gap have all brought home to U.S. Government policy-makers that the Liberian economy cannot be stabilized through liberal doses of cash for budget support alone. Increasingly it has been realized that U.S. assistance should include technical assistance and training in the economic and financial management of the public sector as well. The Economic and Financial Management and Training Project is designed to meet this need.

Liberia's needs for assistance in the economic and financial management of the public sector are immediate and urgent. For most normal AID development projects, the time required to move from the pre-PID stage to the mobilization of a technical assistance team in the field exceeds two years. This type of time schedule is not suitable for this Project. If Liberia is to avoid financial collapse, major progress in reducing the budget deficit must be made in the next several months.

The AID Administrator and Assistant Administrator for Africa recognized the urgency of the problem during their January 1981 visit to Liberia. They told senior GOL officials that the project design and technical assistance contract procurement processes would be expedited and that the first consultant financed under the Project would be arriving within a few months.

The AID/Washington guidance cable (Annex A), which was sent to USAID/Liberia after the Administrator and Assistant Administrator for Africa returned to the U.S., listed certain specific steps which would be taken to expedite these processes. Included among these steps were waivers of the PID and preparation of a short PP. The PP would include (1) an analysis of the macroeconomic situation, (2) a description of the project in as much detail as possible under the circumstances, (3) a financial plan and (4) an implementation plan. The other analyses normally included in a PP would be waived.

The basic project design has been approved after executive review (See Annex A). The PP includes an analysis of the macroeconomic situation, a detailed project description, a financial plan and an implementation plan.

Recommendation: That you confirm your approval of the waiver of the PID and all PP analyses other than those listed above, all of which are required by Handbook 3.

ATTACHMENT B

JUSTIFICATION FOR A NON-COMPETITIVE PROCUREMENT WAIVER FOR THE
TECHNICAL ASSISTANCE CONTRACT

(A) Cooperating Country	Liberia
(b) Authorizing Document	Project Paper
(c) Project	Economic and Financial Management Training (669-0184)
(d) Nature of Funding	Grant
(e) Description of Services	Technical Assistance
(f) Approximate Contract Amount	\$2,200,000
(g) Probable Source	U.S. firm selected from field of 3 or 4 using informal procedure including small business as appropriate

Discussion: Section 7.3.101-50(b)(7) of the A.I.D. Procurement Regulations (AIDPR) provides for non-competitive procurement where the responsible Assistant Administrator makes a formal written determination with supporting findings that procurement from any other source would impair foreign assistance objectives and would be inconsistent with fulfillment of the foreign assistance program. Given our special relationship with Liberia and our economic and strategic interests there, an important objective of the foreign assistance program is the stabilization of the Liberian economy. ESF program grants are both the most visible and the economically most important element in our stabilization strategy. It has become increasingly clear, as the Liberian economy continues to deteriorate despite large infusions of budget support in the form of ESF program grants over the last 21 months, that technical assistance and training in the management of the public sector of the economy is necessary if the goal of economic stabilization is to be achieved. The purpose of the Economic and Financial Management and Training Project is to provide this needed technical assistance and training.

With each crisis in meeting oil, debt or salary payments, the margin by which the GOL has averted financial collapse has declined. Liberia's need for assistance in the economic and financial management of the public sector is immediate and urgent. Major progress in reducing the budget deficit must be made in the next several months, if financial collapse is to be averted.

The elapsed time between receipt of a PIO/T involving competitive procurement of long-term technical assistance in the Office of Contracts Management and the mobilization of a technical assistance team in the field often exceeds twelve months. This type of time schedule is not suitable for this Project. Therefore, procurement of the required technical assistance services through normal competitive procedures would

impair the foreign assistance objective of the stabilization of the Liberian economy and would be inconsistent with fulfillment of the foreign assistance program.

The introduction to Section 7-3.101-50(b) of the AIDPR indicates that, where non-competitive negotiation is justified, consideration of as many sources as is practicable, including informal solicitation to the maximum extent practicable, is required. It is proposed to use an informal non-competitive selection process to choose the technical assistance contractor.

Selection would be made from among 3 or 4 management consultant firms with special expertise and experience in the area of public sector financial management. This group of firms would include small business as appropriate. It is proposed to initiate this informal selection process by sending a letter from the Office of Contracts Management together with a scope of work to 3 or 4 firms which meet these qualifications and have expressed an interest in this activity. These firms would be asked to submit within 5 working days (a) a short summary of the firms's expertise/experience in this area, (b) a short statement of how they would approach the work and (c) the biodata of the candidates they would propose for the long-term (required) and short-term (optional) consultant positions. Selection of the firm to implement the Project would be made by a small committee chaired by AFR/DR and including members from AFR/CWA, AFR/PMR/RCS and possibly the GOL with a representative of SER/CM as an observer. Selection would be based primarily on the firm's expertise/experience and the quality of the candidates proposed for the long-term consultant positions.

Negotiation of a contract with the firm selected to provide project technical assistance will be expedited. If possible, the contractor will be allowed to mobilize based on a letter contract.

Recommendation: Based on the justification set out above, it is recommended that you (1) approve the requested non-competitive procurement waiver based on Section 7.3.101-50(b)(7) of the AIDPR and (2) determine that a normal competitive procurement would impair foreign assistance objectives and would be inconsistent with fulfillment of the foreign assistance program, based on your supporting findings that:

- a. An important objective of the foreign assistance program is the stabilization of the Liberian economy;
- b. The technical assistance and training in the management of the public sector of the economy which will be provided under this Project are necessary to the achievement of the goal of stabilization;
- c. Liberia's need for this assistance is immediate and urgent; and
- d. The normal time schedule for competitive procurement is not suitable for this Project.

PROJECT AUTHORIZATION

Name of Country: Liberia

Name of Project: Economic and Financial Management Project

Number of Project: 669-0184

1. Pursuant to Section 105 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Economic and Financial Management Project (the "Project") for Liberia involving planned obligations in an amount not to exceed \$3,000,000 in grant funds over a three year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project.

2. The Project is to improve the capability of the Government of Liberia (the "Government") to manage the public sector of the economy from both the economic and financial standpoints. The Project will focus on helping the Government improve the management of the budget and expenditure control process.

3. The Grant Agreement, which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

4.a. Source and Origin of Goods and Services

Goods and services, except for ocean shipping, financed by A.I.D. under the Project shall have their source and origin in the United States or in Liberia, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall be financed only on vessels of the United States, except as A.I.D. may otherwise agree in writing.

b. Condition Precedent

The Grant Agreement will provide in substance as follows:

Prior to the initial disbursement of funds under this grant, the Government shall, except as the parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D. evidence that the Government continues to comply with the International Monetary Fund Stabilization Program, as amended from time to time.

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c. Covenant

The Grant Agreement will set forth an undertaking providing in substance as follows:

Except as A.I.D. may otherwise agree in writing, the Government covenants that steps will be taken to make it possible for an independent auditor to audit the Government's accounts on an annual basis beginning within two to three years of the date of the Grant Agreement.

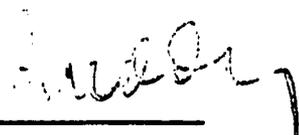
d. Waiver

Notwithstanding paragraph a. above, the following waivers to A.I.D. regulations are hereby approved:

The requirement set forth in Handbook 3 that a PID will be prepared and certain project paper analyses be made is hereby waived based upon the justification set forth in the project paper and attached hereto.

The requirement for competition set forth in Handbook 1, Supplement B, Chapter 12, for the procurement of technical services is waived pursuant to Section 7-3.101-50(b)(7) of the A.I.D. Procurement Regulations and the justification attached hereto. It is hereby determined that procurement from any other source would impair foreign assistance objectives, and would be inconsistent with fulfillment of the foreign assistance program.

Date:



F. S. Ruddy
Assistant Administrator
for Africa

Drafted by: GC/AFR:LDeSoto:my:6/4/82:20379

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AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT PAPER FACESHEET		1. TRANSACT. CODE A A = ADD C = CHANGE D = DELETE		PP 2. DOCUMENT CODE 3
3. COUNTRY ENTITY LIBERIA		4. DOCUMENT REVISION NUMBER 0		
5. PROJECT NUMBER (7 digits) [669-0184]		6. BUREAU/OFFICE A. SYMBOL AFR B. CODE [6]		7. PROJECT TITLE (Maximum 40 characters) [Economic and Financial Mgmt. and Training]
8. ESTIMATED FY OF PROJECT COMPLETION fy [8/5]		9. ESTIMATED DATE OF OBLIGATION A. INITIAL FY [82] B. QUARTER [3] C. FINAL FY [83] (Enter 1, 2, 3, or 4)		

10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$1 -)						
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL	2,000		2,000	3,000		3,000
(GRANT)	2,000		2,000	3,000		3,000
(LOAN)						
OTHER U.S. 1.						
OTHER U.S. 2.						
HOST COUNTRY		160	160		1,047	1,047
OTHER DONOR(S)						
TOTALS	2,000	160	2,160	3,000	1,047	4,047

11. PROPOSED BUDGET APPROPRIATED FUNDS (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY 82		H. 2ND FY 83		K. 3RD FY	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) EHR				2,000		1,000			
(2)									
(3)									
(4)									
TOTALS				2,000		1,000			

A. APPROPRIATION	N. 4TH FY		Q. 5TH FY		LIFE OF PROJECT		12. IN-DEPTH EVALUATION SCHEDULED MM YY 013 813
	O. GRANT	P. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	
(1)					3,000		
(2)							
(3)							
(4)							
TOTALS						3,000	

13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN THE PID FACESHEET DATA, BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET.

2 1 = NO
2 = YES

14. ORIGINATING OFFICE CLEARANCE		15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION	
SIGNATURE <i>[Signature]</i>		DATE SIGNED MM DD YY 01 21 08 2	
TITLE Mission Director, USAID/Liberia		MM DD YY 01 21 06 8 2	

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- A. AID/W Guidance Cable
- B. Organization Charts
- C. Detailed Cost Estimate
- D. Initial Environmental Examination (Categorical Exclusion)
- E. Statutory Checklist
- F. Justification for a Waiver of the PID and Certain PP Analysis Requirements of Handbook 3
- G. Government of Liberia Application for Assistance
- H. Human Rights Clearance

A. PROJECT SUMMARY AND RECOMMENDATIONS

1. Recommendation

It is hereby recommended that A.I.D. approve a \$3,000,000 grant for the Liberia Economic and Financial Management and Training Project (669-0184) from the education and human resources development (EHR) appropriation. Planned obligations are \$2,000,000 in U.S. FY 1982 and \$1,000,000 in FY 1983.

2. Description of the Project

a. Grantee

The grantee will be the Government of Liberia (GOL). The GOL agency responsible for the Project will be the Ministry of Finance (MOF). The other agencies principally involved will be the Bureau of the Budget (BOB) and the Ministry of Planning and Economic Affairs (MPEA).

b. Summary Project Description

The purpose of this Project is to improve the capability of the GOL to manage the public sector of the economy from both the economic and financial standpoints. In its early stages, the Project will focus on helping the GOL improve the management of the budgetary and expenditure control process. During the 36-month life of the Project, A.I.D. inputs will include long-term and short-term technical assistance and in-country and long-term academic training. Two long-term consultants will be provided. The Economic and Financial Management Consultant (Team Leader) will be located in

the Ministry of Finance and the Program Budget and Budget Training Consultant will be located in the Bureau of the Budget.

c. Summary Findings

The Project is technically and financially sound. The PID has been waived. However, the basic project design was approved after executive review. (See Annex A). The PP includes a detailed project description, a financial plan and an implementation plan. All other analyses normally included in a PP have been waived. The Project falls within a categorical exception to the provisions of A.I.D.'s environmental regulations. The requirements of Section 611(a) of the Foreign Assistance Act have been met.

B. PROJECT BACKGROUND

1. Ongoing Fiscal and Balance of Payments Crisis

The Liberian economy began to stagnate in 1977 as a result of adverse trends in export markets. Liberia's economic difficulties become more pronounced in 1979 as a result of large expenditures made in preparation for the OAU Conference held in Monrovia that year. The April 1980 military takeover further aggravated the economic situation and resulted in an accelerated rate of decline.

The Liberian economy has been in an almost continuous state of crisis since mid-1980. The two principal causes of this ongoing crisis are a large and widening foreign exchange gap and large and stubborn budget deficits.

The foreign exchange gap results primarily from stagnating export earnings on the one hand and the need to transfer overseas balances to the domestic economy to finance large budget deficits and increase the money supply on the other. Because Liberia uses the U.S. dollar as its domestic medium of exchange, its overseas balances play a unique role in the economy. Not only are overseas balances used to finance imports and other foreign obligations, but they are also used to finance budget deficits and increase the money supply. Growing demands for overseas balances for these purposes have badly outstripped the ability of Liberia's still high, but declining, trade surplus to supply them resulting in a widening foreign exchange gap.

Liberia's large budget deficits stem primarily from: (1) declining revenue growth, (2) bloated military and civil service payrolls, (3) lack of expenditure discipline, (4) subsidies to unprofitable and mismanaged public corporations, (5) mounting debt service and (6) rapidly increasing military expenditures. Since the U.S. dollar is the medium of exchange in Liberia, budget deficits cannot be financed through printing money. Sooner or later they must be financed through the transfer of overseas balances to Liberia. As indicated above, budget deficits are a primary cause of the foreign exchange gap. Since they are also the principal cause of the GOL's fiscal problems, they can be accurately characterized as the root cause of the ongoing fiscal and balance of payments crisis.

The adverse effects of the widening foreign exchange gap and large budget deficits have permeated the Liberian economy. The banking system has become increasingly illiquid as a result of the illiquidity of the National Bank of Liberia. The illiquidity of the National Bank has its origin in large GOL overdrafts which have been used to finance budget deficits.

Another effect of Liberia's ongoing fiscal and balance of payments crisis is the monthly scramble to find the funds required to pay oil bills, debt service and the government payroll. The GOL has raised the status of financial juggling to pay important bills as they come due to an art form.

As Table 3 shows, the ongoing crisis has had a major negative impact on Liberia's development budget. Development expenditures grew at a compound annual rate of 45% from Liberian FY 1976/77 (July 1, 1976 to June 30, 1977) to FY 1978/79 from \$101 million to \$213 million and then declined precipitously at a compound annual rate of 26% to \$116 million in FY 1980/81. Development expenditure for FY 1981/82 is projected to increase to \$127 million. However, \$27 million of this amount represents military development expenditure which stood at zero in FY 1980/81. In other words, non-military development expenditure is projected to decrease from \$116 million in FY 1980/81 to \$100 million in FY 1981/82. Even this expenditure level may not be achieved. The sharp decline in the development budget has resulted in a parallel decline in public investment.

Liberia's private sector currently lacks confidence in the ability of the GOL to solve its ongoing fiscal and balance of payments crisis. Although capital flight has apparently been stemmed, private investment and economic activity remain at low levels.

The decline in public and private investment, together with the illiquidity of the banking system, has resulted in a contracting economy marked by high and increasing urban unemployment. The Liberian economy has registered a negative real annual growth rate of between 4 and 5 percent over the past two years. Decreased economic activity feeds back into the system as decreasing revenues and increasing demands for government expenditures, thus accelerating the Liberian economy's downward slide.

A joint GOL/International Monetary Fund \$85 million, two-year, standby stabilization program is in its second year. The program includes measures to increase revenues and control expenditures. In order to receive each tranche of IMF funding, the GOL must meet certain performance criteria. The most important of these criteria is the limit on GOL borrowing from the National Bank.

So far the GOL has met the IMF performance criteria. However, meeting the criteria has become increasingly difficult. Since the GOL has been unable to increase domestic revenues significantly or control expenditures, it has had to defer expenditures to meet the IMF criteria. The amount of unpaid checks had reached \$30 million by December 31, 1981.

With the increasing difficulty the GOL has experienced in meeting the IMF criteria, the distinct possibility arises that the criteria will not be met. Should this happen, the implications are grave. The GOL would not receive IMF budget support essential to financing basic expenditures such as oil bills, debt service and the government payroll. Further, commercial banks and donors look to the meeting of the criteria as a barometer of Liberia's financial stability. Should the criteria not be met, funds from other sources will not be forthcoming, and the negotiations to reschedule both public and commercial debt (through the Paris and London Clubs) will be put in jeopardy.

Longer term prospects for the Liberian economy are reasonably good. The country is rich in natural resources. Considerable unexploited reserves of iron, timber, uranium and diamonds exist and exploration for possible off-shore oil deposits is being carried out. Also, export markets for rubber, coffee and cocoa are expected to recover from cyclical lows.

2. Budget Deficit

Liberia's budget was in surplus from 1969 through 1975, as shown in Table 1 below.

Table 1

Government Budget Deficit - 1969 to GOL FY 1981/82 (\$ Million)

Year	Surplus(+) Deficit(-)	Year	Surplus(+) Deficit(-)
1969	+ 7.9	1975/76	- 8.0
1970	+ 8.9	1976/77	- 26.6
1971	+ 7.4	1977/78	- 72.4
1972	+ 9.7	1978/79	-140.8
1973	+ 9.3	1979/80	- 87.9
1974	+16.4	1980/81	- 99.5
1975	+ 3.0	1981/82 ¹	- 94.5

From a small deficit of \$8 million in GOL FY 1975/76, the budget grew further and further out of balance until the deficit peaked at \$141 million in FY 1978/79, the year that most of the expenditures made in preparation for the OAU Conference were financed. The budget deficit declined somewhat in FY 1979/80 to \$88 million, but grew by 13% to almost \$100 million in FY 1980/81. Although the GOL estimated that the FY 1981/82 budget deficit would decline slightly to \$95 million, revenue shortfalls and expenditures in excess of projections are likely to push the budget deficit above last year's level.

Liberia's budget deficit amounts to roughly 10% of GDP and constitutes more than 45% of domestic revenues. The deficit accounted for 28% of expenditures in both of the last two GOL fiscal years.

1. Estimated

Not only is the deficit large when viewed in relation to Liberia's past, it is one of the largest in Africa. During the last five years only five African countries have had a higher deficit as a percentage of expenditures.

a. Revenues

The basic causes of Liberia's large and stubborn budget deficits have been declining revenue growth and lack of expenditure control. As Table 2 below shows, domestic revenue growth slowed down markedly after GOL FY 1978/79.

Table 2

Government Revenue and Grants - GOL FYs 1976/77 to 1980/81 (\$ Million)

	1976/77	1977/78	1978/79	1979/80	1980/81
Revenues and Grants	<u>182.5</u>	<u>201.5</u>	<u>224.9</u>	<u>225.8</u>	<u>254.1</u>
Revenue	<u>166.5</u>	<u>185.5</u>	<u>201.9</u>	<u>202.8</u>	<u>217.5</u>
Grants	16.0	16.0	23.0	23.0	36.2

The compound annual rate of growth of revenues decreased from 10% for the period from 1976/77 to 1978/79 to 4% for the following 2-year period.

This adverse trend is apparently continuing into FY 1981/82. Actual domestic revenues for the first six months amounted to \$107 million, a shortfall of over 14% from the projected figure of \$125 million.

The trend persists even though a number of tax rates and fees have been increased significantly over the past two years at the urging of the IMF. These increases have given Liberia one of the most burdensome tax structures in Africa.

The primary reason for this slowdown in revenue growth, of course, is Liberia's contracting economy. This is illustrated by the list of tax categories showing large shortfalls for the first six months of FY 1981/82: (1) taxes on international trade (\$5.4 million), (2) excise taxes (\$6.9 million), (3) taxes on income and profits (\$4.5 million) and (4) stumpage fees (\$2.4 million).

However, the yield from existing taxes and fees could be greatly increased by plugging leaks in the revenue collection system. These leaks range from inadequate and inefficient revenue collection methods to actual fraud on the part of some tax collectors and taxpayers.

b. Expenditures

Expenditures grew at a compound annual rate of 32% from \$209 million in GOL FY 1976-77 to \$366 million in FY 1978-79, the year of the OAU Conference. See Table 3 below.

Table 3

Government Expenditures - GOL FYs 1976/77 to 1980/81 (\$ Million)

	1976/77	1977/78	1978/79	1979/80	1980/81
<u>Total Expenditure</u>	<u>109.1</u>	<u>273.9</u>	<u>365.7</u>	<u>313.7</u>	<u>353.6</u>
Recurrent	108.5	122.3	152.9	179.7	237.8
Development	100.6	151.6	212.8	134.0	115.8

After falling to \$314 million the next year, they increased by 13% to \$354 million in FY 1980/81. Budgeted expenditures for FY 1981/82 of \$431 million exceed the previous year's budget by 16%.

Liberia's expenditure control problem is even more starkly presented when one looks at recurrent expenditures. Recurrent costs rose at a compound annual rate of 22% from \$109 million to \$238 million during the four-year period ending in FY 1980/81. The budget for FY 1981/82 shows \$304 million for recurrent costs, a 23% increase over the budget for the previous year.

In other words, expenditures since FY 1976/77 have been uncontrolled. They have risen to levels that can neither be met nor justified. The principal sources of the GOL's expenditure problem are (1) salaries, (2) lack of discipline, (3) subsidies to public corporations, (4) debt service and (5) military expenditures. Table 4 below classifies GOL recurrent expenditures by type.

Table 4

Recurrent Expenditure by Type - GOL FYs 1976/77 to 1980/81 (\$ Million)

	1976/77	1977/78	1978/79	1979/80	1980/81
Wages and Salaries	60.4	67.3	78.4	97.4	138.1
Other Services ²	16.4	20.1	30.0	23.7	19.6
Materials and Supplies ³	10.5	12.6	14.3	19.0	34.7
Subsidies and Grants	16.8	12.3	12.3	15.0	23.5
Interest on Debt	4.8	10.0	17.9	27.6	21.9
Total	108.5	122.3	152.9	179.7	237.8

The most striking aspect of this breakdown is the growth of the government payroll. Wages and salaries increased by 16% to \$78 million in GOL FY 1978/79 primarily as a result of a 5% wage increase granted to engineers, nurses, teachers and police and a general rise in the wages of lower-paid government employees resulting from a revision of civil service wage scales. The minimum wage increase in July 1979, together with the 150% increase in the pay of enlisted military personnel and the 100% increase in the minimum salary for Government civilian employees of May 1980, resulted in a 24% increase in the government payroll in FY 1979/80 to \$97 million. Previous

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2. Covers utility services, maintenance, rentals, communications and travel.
 3. Includes purchase of equipment and property.

increases paled by comparison with the FY 1980/81 increase of 42% to \$138 million which reflected the full impact of the salary changes of May 1980 and continued public sector hiring and salary increases for selected positions. The FY 1981/82 budget shows and increase in wages and salaries of 20% over the previous year's budget. The average monthly government recurrent payroll now amounts to about \$13 million.

The figures for wages and salaries as a percentage of total recurrent costs paint an even bleaker picture of the government payroll problem. After two years at about 55% of recurrent expenditures, the government payroll dropped to 51% in FY 1978/79. Since then this figure has increased consistently from 54% in FY 1979/80, to 58% in FY 1980/81 and to 62% in the FY 1981/82 budget. In other words, the government payroll is eating up a greater and greater share of the recurrent budget. These figures imply the existence of large numbers of nonexistant, redundant and/or unproductive workers who have little or nothing to work with in terms of supplies, equipment or logistic support.

Expenditure control is a major problem for the GOL. Fiscal discipline, never a strong point of any Liberian Government, has reached very low levels and continues to deteriorate. Recent efforts to exert more control over expenditures have been largely ineffectual. Total recurrent expenditures for the first six months of FY 1981-82 exceeded estimates by approximately \$5 million. Foreign travel, gas and oil payments, and equipment purchases (primarily vehicles) accounted for a large share of this overrun.

Subsidies to Liberia's largely inefficient and often mismanaged public corporations constitute an important drain on the budget. Subsidies and grants increased 22% in FY 1979/80 and 38% in FY 1980/81 after remaining the same in FYs 1977/78

and 1978/79. The GOL has accepted a divestiture policy which may provide some relief from this problem.

The GOL's debt service obligations are also placing a large strain on the budget. Debt service declined from \$28 million to \$22 million in FY 1980/81, but is budgeted to increase to \$37 million in FY 1981/82. This reflects government financing of recent large budget deficits using mainly short-term commercial credit carrying high interest rates which is beginning to fall due.

USAID/Liberia's most optimistic debt service projections show debt service as a percent of expected revenue increasing from 25% in FY 1981/82 to 28% in FYs 1982/83 and 1983/84 and not decreasing to below 20% until 1986/87. IBRD projections paint an even grimmer picture. They show debt service increasing from 31% in FY 1981/82 to 38% in FYs 1982/83 and 1983/84 and not declining to below 20% until FY 1986/87. Regardless of which set of figures one uses, it is clear that debt service will represent a heavy burden to the Government until well after the middle of the decade.

Rapidly rising military expenditures are an additional factor in the GOL's current budgetary distress. As Table 5 below indicates, the military budget increased at an annual compound rate of 60% during the five years between FY 1976/77 and FY 1981/82.

Table 5

Military Budget - GOL FYs 1976/77 to 1981/82 - Amount (\$ Million) and Percent of Total Budget

	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82
Amount	5.8	8.8	12.0	16.2	27.6	60.1
Percent	3.7%	4.7%	3.5%	5.1%	7.4%	13.9%

Particularly large increases were registered in FY 1980/81 when the military budget increased by 70% from \$16 to \$28 million and in FY 1981/82 when this budget increased another 118% to \$60 million.

The military budget grew from 5% of the total budget in FY 1979/80 to 7% in FY 1980/81 and then doubled to 14% in FY 1981/82. All these figures tend to underestimate the impact of the military on the budget as some military expenditures take place outside it.

3. ESF Program Grants

Since August 1980 the U.S. Government has provided \$53 million in program grants to the Government of Liberia from the Economic Support Fund (ESF). The amount of the U.S. FY 1980 grant, which was provided in August 1980, was \$5 million. The two FY 1981 grants totaled \$32 million. So far, \$16 million has been provided to the GOL through the FY 1982 grant, \$10 million in November 1981 and \$6 million more in December 1981. Addition of another \$19 million to the FY 1982 grant is currently under consideration.

The purpose of these grants was to help the GOL deal with its ongoing fiscal crisis and meet its international obligations. For the most part grant funds have been used to make oil payments and/or meet the government payroll. U.S. grant funds have

become an increasingly important factor determining the GOL's ability to meet the IMF performance criteria.

The prolongation of the current fiscal and balance of payments crisis, the continued decline of the Liberian economy and the recent widening of the financing gap have all brought home to U.S. Government policy-makers that the Liberian economy cannot be stabilized through liberal doses of cash for budget support alone. Increasingly it has been realized that U.S. assistance should include technical assistance and training in the economic and financial management of the public sector of the economy as well. This Project has been designed to meet this need.

4. History of GOL Request for Assistance

The GOL's first request for assistance in the area of public sector economic and financial management was for two short-term customs consultants in June 1981. Because of a shortage of Project Development and Support (PD and S) funds, this activity could not be financed in U.S. FY 1981.

In August 1981 the U.S. Ambassador to Liberia suggested an extensive technical assistance effort in the area of the economic and financial management of the public sector. Soon afterwards, the GOL changed its request from two short-term customs consultants to two long-term consultants, one in customs and one in expenditure control. In November, five payroll auditors were added to the list of GOL requests for technical assistance.

During this period not much progress was made in defining a possible technical assistance project. The GOL ministries and agencies to be included in the project, the

level of the consultants, the type of tasks they would perform and the number of consultants to be provided were discussed at some length between the GOL, USAID/Liberia, the U.S. Embassy in Liberia, AID/Washington and the Department of State in Washington without resolving any of the important issues.

A trip to Liberia by the AID Administrator and Assistant Administrator for Africa in January 1982 proved to be the necessary catalyst to resolve the most important issues involving the Project and begin the design process. They told senior GOL officials that the project design and technical assistance contract procurement processes would be expedited and that the first consultant financed under the project would be arriving within a few months. The AID/Washington guidance cable (Annex A), which was sent to USAID/Liberia after the Administrator and the Assistant Administrator for Africa returned to the U.S., indicated that the following specific steps would be taken to expedite these processes:

- a. Waiver of the P.I.D.
- b. Preparation of a short PP. The PP would include (1) an analysis of the macroeconomic situation, (2) a description of the project in as much detail as possible under the circumstances, (3) a financial plan and (4) an implementation plan. The other analyses normally included in a PP would be waived.
- c. Authorization of the PP in AID/Washington on the basis of review and clearance of the authorization package, rather than on the normal process involving several review committee meetings.
- d. Informal, noncompetitive selection of a management consultant firm with special expertise and experience in the financial management area to manage the Project. Selection would be made from among 3 or 4 firms. The non-competitive procurement waiver would be based on the needs of U.S. foreign policy.

e. Expedited negotiation of the technical assistance contract. If possible, the contractor would be allowed to mobilize based on a letter of intent.

5. Proposed A.I.D. Response

As indicated in the macroeconomic section above, a major element in Liberia's ongoing economic crisis is a fiscal crisis marked by a very high budget deficit. Reducing this deficit depends both on increasing revenues and controlling expenditures. USAID/Liberia plans to undertake activities to help the GOL with both of these aspects of the crisis.

AID has been providing assistance on the revenues side since 1978 through the Increased Revenues for Development Project (669-0132). This Project finances a three-man team from the U.S. Internal Revenue Service under a Participating Agency Service Agreement (PASA). This team is made up of a team leader, a real estate tax advisor and a collections and files advisor.

The Project got off to a fast start and made a considerable impact on revenue collections during its first year. The rate of growth of revenues began to decline after the rice riots of 1979 when the business community claimed tax deductions for their extensive casualty losses resulting from the riots. This decline accelerated after the May 1980 coup as a result of both the decline in private sector activity and the demoralization of the revenue collection staff in the wake of the large turnover at senior levels of the Department of Revenue. These circumstances frustrated the progress of the Project for about a year after the coup. With the recent reorganization of the Department of Revenue and closer cooperation between the technical assistance team and top Ministry of Finance officials, the team is beginning to have an impact in

the income and real estate tax area again. However, they are currently scheduled to leave Liberia on 30 September 1982.

It is proposed to extend the present IRS team for two years to 30 September 1984. The addition of a systems analyst/data processing advisor and an audit advisor is also being considered. During the extension period more emphasis would be placed on increasing government revenues in the short-run.

As noted in Section B.4 above, the GOL's initial request in the area of economic and financial management of the public sector was for customs consultants. During February 1982 a two-man team from the U.S. Customs Service arrived in Liberia to carry out a needs assessment. If their report indicates that the need exists, it is proposed to provide up to two long-term customs consultants to the GOL under a PASA with the U.S. Customs Service. These consultants would spend two years in Liberia.

Current plans call for financing both the extension of the IRS PASA and the new Customs Service PASA from an amendment to the Increased Revenues Project. USAID/Liberia's recent Congressional Presentation submission included \$2.4 million for this amendment in FY 1983.

The Project described in this PP is designed to provide assistance with the expenditure side of the GOL's fiscal problem. As described more fully in Section D below, this Project will focus on helping the GOL improve the management of the budget and expenditure control process.

C. LIBERIA BUDGET AND EXPENDITURE CONTROL PROCESS

1. The Process

The budget in Liberia is divided into two parts, the development budget and the recurrent budget. Each ministry prepares its own recurrent budget with the help of a budget analyst from the Bureau of Budget (BOB). The ministries prepare their development budgets based on estimates of required GOL support for donor projects provided by the Ministry of Planning and Economic Affairs (MPEA).

Program budgeting was introduced as a part of the Liberian budget preparation system in 1971. The basic unit for budgeting is the program element or sub-activity. For example, the Monrovia Consolidated School District is considered to be an activity and the primary schools in the District are treated as a single program element.

BOB is responsible for working the individual ministry submissions into the national recurrent budget. MPEA has the equivalent responsibility with respect to the national development budget. Once this work has been completed, BOB prepares the complete national budget including both the development and recurrent budgets for submission to the Budget Committee.

The Budget Committee reviews the budget, makes necessary cuts and eventually approves it. The Budget Committee consists of the Director of BOB as Chairman, The Minister of Finance, the Minister of Planning and Economic Affairs, the Minister of State for Presidential Affairs, the Auditor General, the Director General of the Civil Service Agency and the Director General of the General Services Agency. Normally

budget cuts are made on an activity or sub-activity basis. However, for the last two years budget cuts have been based on a fixed percentage applied across the board.

After the national budget is approved by the Budget Committee, it goes first to a meeting of the Cabinet chaired by the Head of State and then to a joint meeting of the Cabinet and the People's Redemption Council. Although the GOL fiscal year is from 1 July to 30 June, the national budget is usually not finally approved until July. The approved development and recurrent budget levels for each ministry are called appropriations.

At the beginning of every quarter, each ministry submits quarterly allotment requests covering both the development and recurrent budgets to BOB. BOB approves these allotment requests based on estimated resource availabilities for the quarter.

Upon receipt of its quarterly allotment, each ministry begins to forward expenditure vouchers and purchase orders covered by the allotment to the Bureau of General Accounts within MOF for approval. After this Bureau approves the expenditure voucher or purchase order, the appropriate allotment is debited and a check is written in favor of the supplier of the goods and/or services in question.

2. Problems with the Process

Budgets for individual program elements are prepared on the basis of line items which are not disaggregated sufficiently and are not based on function within the program element, such as "personnel services", "other services", "materials and supplies", "equipment", etc. Usually the previous year's appropriation for a particular line item

is increased by a percentage which takes into account the percentage budget cut which is anticipated at the national level.

As a result, considerable fat has crept into each ministry's budget over time. It has been estimated, as a result of an independently conducted budget analysis of selected ministries and agencies of the Government, that recurrent budget cuts of up to 15 percent per ministry would not materially affect their operation. For GOL FY 1981/82 this means that about \$46 million would have been saved as a result of using a better budgeting process.

The division of budgetary responsibilities between BOB and MPEA also creates problems. Often when a ministry can't get an item approved as part of its development budget, it will try to get it approved in its recurrent budget and vice versa.

Once a ministry's development budget is approved, it is relatively easy to shift funds from one line item to another within the budget for a particular activity. The most common shift is from the equipment account to the personnel services account.

A thorny problem is letters from the highest levels of Government to the Ministry of Finance ordering unbudgeted expenditures. Ministers often try to use this route for funding requests which have been turned down or cut in the budget preparation system.

Liberian payrolls are not checked carefully and names are not deleted systematically when employees are no longer employed. Each ministry has multiple payrolls disbursed centrally by the MOF which are not based on either work section or geographic location. This makes it very difficult, if not impossible to cross-check a ministry's payrolls.

This system has led to a number of common abuses. An employee's family continues to receive his check after he dies. An employee moves from a job in one ministry to a job in another and continues to receive a check for the first job. An employee changes geographic location within the same ministry and receives checks based on work at both locations. Sometimes more blatant types of payroll fraud occur such as placing the name of a relative or friend on a payroll or placing a fictitious name on a payroll.

Another source of financial leakage is the expenditure voucher processing system within the Bureau of General Accounting of the MOF. Sometimes vouchers are not checked against allotments and this results in expenditures in an account exceeding the allotment for that account. More often individuals use various forms of influence to get vouchers approved and checks written which are not covered by allotments. This method is often used to place new names on payrolls through the use of a supplementary payroll.

Payments in cash, such as the salaries of all military enlisted personnel and all military personnel in outlying areas, are an important problem for the GOL. Leakages in the form of shortages are the rule, rather than the exception, for such payments.

Another problem is the diversion of properly vouchered goods, services and cash to uses other than those intended. Although the practice is not as widespread as it once was, reserve accounts are still used for unbudgeted expenditures.

3. Possible Solutions

Senior GOL officials charged with keeping the Government's fiscal house in order are aware of these problems. They have tried some solutions, are interested in analyzing others and are open to additional suggestions.

In an attempt to deal with the problem of ministry budget submissions based on inadequately disaggregated and non-functional line items, the Director of BOB is making an effort to increase the understanding and acceptance of program budgeting on the part of ministry budget and finance officials, particularly at the senior level. He has already sponsored one seminar on program budgeting for ministry budget and finance personnel.

To deal with Liberia's payroll problems, senior GOL officials are interested in replacing the present centralized system where the MOF signs all payroll checks with a decentralized system where each minister would sign the checks for employees in his/her ministry. A number of semi-autonomous government agencies such as JFK Hospital, Booker Washington Institute and the University of Liberia are currently using this new system. They are also interested in introducing employee and location numbers to help keep track of government payrolls. The source of these employee numbers could be the proposed national I.D. card scheme, social security numbers currently being assigned or separate employee identification numbers. A system which would require section chiefs to sign monthly attendance sheets for their employees and use these sheets to prepare payrolls for the following month is of interest. Currently an on-the-spot payment team is making salary payments to employees of the Monrovia Consolidated School System. Those employees who are not present to pick up their checks in person

must go to a central location and explain why they were absent before they can pick up their checks.

Senior GOL officials hope that computerizing important aspects of the expenditure voucher processing system will alleviate some of the problems of this system. The same is true of computerizing important aspects of the system for processing payrolls.

D. DETAILED PROJECT DESCRIPTION

1. Goal and Purpose

The GOL's current short-term goals for the Liberian economy are stabilization and maintenance of as much of the development program as possible until stabilization is achieved. Intermediate and long-term objectives are maintenance of economic stability and revitalization and expansion of the development program. The purpose of this Project is to improve the capability of the GOL to manage the public sector of the economy from the economic and financial standpoints.

2. Framework of the Project

The impact of this Project is targeted for two distinct time periods, the short run (six months to a year) and the near intermediate-run (two to three years). Because of the importance of the goal of economic stabilization, the short run will have the highest priority and receive all the project resources it can productively absorb. However, because the achievement of economic stability make take considerably longer than one year and because of the importance of maintenance of economic stability once it is reached, significant project resources will be allocated to the near intermediate-run.

The project focus for both periods will be on helping the GOL improve the management of the budget and expenditure control process described in section C above. Assistance will concentrate on the three agencies which are jointly responsible for overall management of the process; the Ministry of Finance, the Bureau of the Budget and the Ministry of Planning and Economic Affairs. AID inputs will include long-term and short-term technical assistance and in-country and long-term academic training.

3. Long-term Technical Assistance

The Project will provide two long-term consultants to the GOL. The Economic and Financial Management Consultant (Team Leader) will be located in the Ministry of Finance and the Program Budget and Budget Training Consultant will be located in the Bureau of Budget.

a. Economic and Financial Management Consultant (Team Leader)

The counterpart to the Economic and Financial Management Consultant (Team Leader) will be the Deputy Ministry of Finance for Expenditure and Debt Management. He will work directly with the Minister of Finance through the Deputy Minister.

The duties and responsibilities of this Consultant will include:

1). Review and analyze problems in the management of the GOL budgetary process as requested and provide recommendations for their solution.

2). Review and analyze the problems involved in hiring an independent auditor to audit the Government's accounts on an annual basis and make recommendations for dealing with these problems aimed at enabling the GOL to initiate independent annual audits as soon as possible.

3). Review and analyze the flow of financial and other management information within the Ministry of Finance and develop a plan for improving the usefulness and timeliness of this information.

4). Review and analyze the current systems for processing payrolls and expenditure vouchers within the Ministry of Finance and develop a plan for improving these systems.

5). Recommend specific areas for financial audit as the need for such an audit is identified during the course of review and analysis of various aspects of the budget and expenditure control process.

6). Review, analyze and make recommendations concerning GOL needs for short-term consultants to address specific problems in the management of the budget and expenditure control process.

7). Serve as team leader.

a) Coordinate the efforts of both the long-term and short-term members of the technical assistance team.

b) Provide liaison between the GOL and the consultant firm's home office on meeting needs for short-term consultants and related assistance in the management of the budget and expenditure control process.

8). Advise and assist the Minister of Finance and the Deputy Ministry of Finance for Expenditure and Debt Management with operational problems on day-to-day basis.

The candidate for this position should have broad knowledge including at least fifteen years of experience in public sector economic and financial management. At least five years of this experience should have been in a senior level operational position.

Previous working experience in a developing country is required. Previous working experience in public finance in a developing country is desirable, as is working experience in Africa.

The Economic and Financial Management Consultant (Team Leader) will be the first member of the technical assistance team to arrive in Liberia. His/her initial tour of duty will be 13½ months with a possibility of extension to 28 months.

b. Program Budget and Budget Training Consultant

The Program Budget and Budget Training Consultant will work directly with the Director of the Bureau of the Budget who will be his counterpart. The duties and responsibilities of this Consultant will include:

1). Review and analyze the budget preparation, approval, appropriation and allotment systems and develop a plan to complete the shift of these systems to a program budgeting basis.

2). Develop a training program including on-the-job training, seminars and short courses for officials involved in financial management at the various ministries with particular emphasis on senior officials such as comptrollers and budget and finance officers.

3). Organize on-the-job training, seminars and short courses for officials involved in financial management at the various ministries.

a) Make arrangements for the use of the facilities required through such institutions as Liberian Institute of Public Administration (LIPA) and the University of Liberia.

b) Obtain short-term consultants and Liberian experts as required to give seminars and short courses.

4). Prepare curriculums for and conduct seminars and short courses for officials involved in financial management at the various ministries as required.

5). Organize follow-up activities to reinforce the knowledge gained by ministry participants in seminars and short courses.

6). Develop a plan which will enable the Bureau of the Budget to successfully implement its own training program after the departure of the consultant.

7). Advise and assist the Director of the Bureau of the Budget with operational problems on a day-to-day basis.

The Consultant will review and analyze the budgetary process before he develops the training program so that the training program can be based on a thorough knowledge of the process. The balance between items 1 and 7 of the scope of work, on the one hand, and items 2 through 6 on the other will be determined in consultation with the Director of BOB and based on GOL needs.

The candidate for this position should have at least ten years experience in public finance with emphasis on program budgeting. He should also have experience in planning, organizing and conducting training in the area of public finance.

Previous working experience in a developing country is required. Previous working experience in public finance in a developing country is desirable, as is working experience in Africa.

The Program Budget and Budget Training Consultant will arrive in Liberia about six weeks after the Team Leader. His/her initial tour of duty will be 12 months with a possibility of extension to 24 months.

4. Short-term Technical Assistance

In order to achieve the purpose of the project, maximum flexibility in the selection of the fields and duration of assignment of short-term consultants needs to be retained. Any short-term consultant for which the GOL has a felt need in the area of the economic and financial management of the public sector of the Liberian economy and related areas would be eligible for financing under this Project. Therefore, the discussion below of the short-term consultants that may be financed under the Project should be taken as merely illustrative and not definitive.

As stated previously, the Project will concentrate on helping the GOL improve the management of the budget and expenditure control process. Short-term assistance to the Ministry of Finance might include systems analyst/data processing specialists to computerize important aspects of the systems for processing payrolls and expenditure vouchers using the existing MOF computer. Bureau of the Budget short-term assistance would probably include various consultants who would prepare curriculums for and conduct seminars and short courses for officials involved in financial management at the various ministries. The Ministry of Planning and Economic Affairs may want short-term assistance to help them improve their system for monitoring the progress of development projects. The National Bank of Liberia may also request the assistance of short-term consultants.

Even though the emphasis of this Project is on the budget and expenditure control process, the GOL may want to request economic and financial management assistance outside this area. For instance, the Ministry of Planning may want to have a short-term consultant analyze the relationship of public corporations to the GOL and their

profitability and make recommendations for improving their contribution to the national economy.

Short-term assistance to be provided to the GOL under the Project totals about 50 person-months. In addition, the consultant firm will provide three months of services of an administrative officer at the beginning of the Project to make administrative arrangements for the technical assistance team. Also, the consultant firm will provide three person-months of supervisory visits, 2 visits for each of the 3 U.S. fiscal years of the project. In keeping with the need to maintain flexibility to achieve the purpose of the Project, specific provision will be made in the Grant Agreement and technical assistance contract for shifting short-term technical assistance funding to long-term and vice versa to meet the needs of the GOL.

5. In-country Training

As indicated in the discussion of the duties of the Program Budget and Budget Training Consultant, the Project will help the Bureau of the Budget organize and carry out on-the-job training, seminars and short courses for officials involved in financial management at the various ministries. If the GOL so requests, short-term consultants can be used to organize and carry out other seminars and short courses related to public sector economic and financial management.

6. Long-term Academic Training

Long-term academic training in the U.S. is required to develop a cadre of well-trained officers who can implement improved systems within the Liberian budget and expenditure control process. The Bureau of the Budget has an adequate number of

younger officers who have received master's degrees or are currently working towards master's degrees in the U.S. However, the Ministry of Finance and, to a lesser extent, the Ministry of Planning have very few well-trained younger officers compared to their needs.

The Project provides for 14 24-month programs leading to master's degrees from U.S. universities in areas related to public sector economic and financial management. Six of these positions have tentatively been allocated to the Ministry of Finance, three to the Ministry of Planning and one to the Bureau of the Budget. The four remaining positions have not been allocated. They may be used to provide long-term academic training to officials involved in financial management at the various ministries.

In order to maintain the flexibility required to meet project objectives, provision needs to be made for the possibility of a change in the allocation of project funding between long-term academic training and technical assistance. Therefore, specific provision will be made in the Grant Agreement for shifting funding for long-term academic training to technical assistance and vice versa to meet the needs of the GOL.

7. Desired Results

The desired results of the Project in the short-run are: (1) two long-term advisors in place and providing advice and assistance to the Deputy Minister of Finance and the Director of the Budget on a day-to-day basis, (2) officials involved in financial management at the various ministries with increased understanding and acceptance of program budgeting, (3) improved systems for processing payrolls and expenditure vouchers based on data processing using the MOF computer and (4) the availability of additional short-term technical assistance to meet the GOL's pressing needs in the management

of the public sector of the economy. In the near intermediate-term the desired results are a significantly enhanced capability of the GOL to run the public sector of the economy. This enhanced capability would be based on: (1) improved systems in the GOL budget and expenditure control process in place and working, (2) increased ability and confidence of GOL officials, particularly in the Ministry of Finance and the Bureau of Budget, to deal with problems in the operation of the budget and expenditure control process as they arise, (3) a majority of the officials involved in financial management at all levels of the various ministries with increased understanding and acceptance of program budgeting, (4) an operating training program for ministry budget and finance officials run by BOB and (5) approximately 14 returned participants with master's degrees from U.S. universities in areas related to public sector economic and financial management. Because of the need for flexibility to achieve project objectives, the desired results in the short-run and near intermediate-run may change as the Project evolves.

8. Possible Expansion

If evaluations indicate that this Project has been successful in achieving its objective in the 36 months of its existence, consideration will be given to financing a five-year follow-on project which will focus on longer-term improvement of the economic and financial management of Liberia's public sector. In such a Project, additional activities would be undertaken outside of those related to the GOL budget and expenditure control process and an effort would be made to upgrade the administration of development projects in Liberia. Such training in the identification, design, analysis, implementation, monitoring and evaluation of projects might be used as a vehicle to revitalize the role of the Liberia Institute of Public Administration (LIPA) in Liberian development. The University of Liberia also might become involved in this training.

E. SUMMARY COST ESTIMATE AND FINANCIAL PLAN

The estimated total cost of activities to be financed under this Project is \$4,047,000. The AID contribution of \$3,000,000 will be provided in the form of a grant.

The GOL will contribute \$1,047,000 to the Project in the form of support for in-country and long-term overseas academic training and general administrative support. All of the GOL contribution will be in kind except for \$22,400 in international air fares for long-term overseas academic participants which will be contributed in cash. The GOL contribution amounts to 26% of total project costs.

The table below presents an estimate of the total financing needed to complete the project analyzed by source and use of funds:

Table 6

Summary Cost Estimate and Financial Plan (U.S. \$ Thousand)

	AID Grant	GOL Contribution	Total
A. <u>Technical Assistance</u>			
1. Long-term	1,108	—	1,108
2. Short-term	910	—	910
B. <u>Training</u>			
1. In-country	—	240	240
2. Long-term Overseas Academic	701 ⁴	302	1,003
C. <u>Evaluation</u>	55	—	55
D. <u>Administration</u>	—	393	393
Subtotal	2,774	935	3,709
Inflation (FY 84 only)	83	62	145
Subtotal	2,857	997	3,854
Contingency (5%)	143	50	193
Total	<u>3,000</u>	<u>1,047</u>	<u>4,047</u>
Percent	74%	26%	100%

The detailed cost estimate for the project including estimates of disbursements by U.S. FY on an accrual basis is presented in Annex C.

4. Inflation factor included in basic estimate.

F. IMPLEMENTATION PLANNING

1. Implementation Plan

a. Implementation Period.

A 36-month implementation period is proposed. The first phase of the Project will last 15 months. If the mid-term evaluation indicates that adequate progress has been made towards the project objective, the Project will be continued for another 21 months.

b. Schedule of Major Events

- | | |
|--|-------------|
| 1) Project paper ready for review in AID/W | 16 Feb. '82 |
| 2) Project authorized by AID/W | 21 May '82 |
| 3) Project agreement signed | 28 May '82 |
| 4) Informal selection of technical assistance contractor completed | 16 June '82 |
| 5) Letter contract with technical assistance contractor signed | 30 June '82 |
| 6) Economic and Financial Management Consultant (Team Leader) arrives in Liberia | 15 July '82 |
| 7) Long-term Program Budget and Budget Training Consultant arrives in Liberia | 1 Sep. '82 |
| 8) Long-term overseas academic training participants depart Liberia | 3 Jan. '82 |
| 9) Mid-term evaluation begun | 15 June '83 |

- | | |
|--|-------------|
| 10) Mid-term evaluation completed | 5 July '83 |
| 11) Decision made on expanding continuing/
restructuring/terminating project | 20 July '83 |
| 12) Final evaluation begun | 15 July '84 |
| 13) Final evaluation completed | 5 Aug. '84 |
| 14) Long-term Program Budget and Budget
Training Consultant departs Liberia | 1 Sep. '84 |
| 15) Long-term Economic and Financial
Management Consultant (Team Leader)
departs Liberia | 15 Nov. '84 |
| 16) Long-term overseas academic training
participants return to Liberia | 1 Jan. '85 |

2. Procurement Plan

AID/Washington has determined that, because of the foreign policy implications of this Project, procurement of the technical assistance contractor should be expedited. It is proposed to use an informal, non-competitive selection process to choose the technical assistance contractor. A non-competitive procurement waiver based on Section 7-3.101-50(b)(7) of the Federal Procurement Regulations will be processed as part of the project authorization package. This Section provides for non-competitive procurement where the Assistant Administrator for Africa determines that procurement from any other source would impair foreign assistance objectives and would be inconsistent with fulfillment of the foreign assistance program.

Selection would be made from among 3 or 4 management consultant firms with special expertise and experience in the area of public sector financial management. This group of firms would include small business as appropriate. It is proposed to

initiate this informal selection process by sending a letter from the Office of Contracts Management together with a scope of work to 3 or 4 firms which meet these qualifications and have expressed an interest in this activity. These firms would be asked to submit within 5 working days a) a short summary of the firm's expertise/experience in this area, b) a short statement of how they would approach the work and c) the biodata of the candidates they would propose for the long-term (required) and short-term (optional) consultant positions. Selection of the firm to implement the Project would be made by a small committee chaired by AFR/DR and including members from AFR/CWA, AFR/PMR/RCS and possibly the GOL with a representative of SER/CM as an observer. Selection would be based primarily on the firm's expertise/experience and the quality of the candidates proposed for the long-term consultant positions.

Negotiation of a contract with the firm selected to provide project technical assistance will be expedited. If possible, the contractor will be allowed to mobilize based on a letter contract.

The contract with the technical assistance contractor will be a direct AID contract, rather than a host country contract. The direct AID contract would be negotiated in AID/Washington with the participation of GOL representatives.

The Government of Liberia does not have the capability to manage the implementation of a host country contract. In addition, the Mission does not have the capability to provide the required continuing technical assistance to the GOL on the management of a host country contract. As experience with the Vocational Training Project (669-0131) has shown, use of a host country contract in Liberia can delay a project substantially and can syphon off considerable energy from achieving the project objective to solving thorny problems involving management of the contract.

3. USAID/Liberia Monitoring Responsibilities

USAID/Liberia will approve candidates for the two long-term consultant positions. The GOL will submit requests for short-term consultants to USAID/Liberia together with a scope of work for approval. USAID/Liberia will also approve all international travel under the technical assistance contract. The technical assistance contractor will provide USAID/Liberia and SER/CM and AFR/DR/CCWAP in AID/Washington with monthly progress reports and a final report to aid in monitoring of the contract.

4. Coordination with the IMF

As indicated in Section B.1 above, the IMF has taken the lead among international donors in efforts to stabilize the Liberian economy. Therefore, the technical assistance team leader and USAID/Liberia will ensure that the stabilization efforts undertaken under this Project are fully coordinated with the IMF.

5. Evaluation Plan

The project will have both a mid-term and a final evaluation. The mid-term evaluation will begin in June 1983 and will be used as a basis for a decision to expand, continue, restructure or terminate the project. To provide the flexibility so this can be done, the duration of the initial technical assistance contract will be limited to 14 months. A final evaluation of the project will commence in July 1984. The project budget includes \$25,000 to finance the mid-term evaluation and \$30,000 to finance the final evaluation.

6. Conditions Precedent and Covenants

a. Conditions Precedent to Initial Disbursement.

Prior to the initial disbursement of funds under this grant, the Government will except as the parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to AID:

1) An opinion satisfactory to A.I.D. from the Government's attorney general, or from other counsel satisfactory to A.I.D., that this agreement has been duly authorized, or ratified by, and executed on behalf of the Government and constitutes a valid and legally binding obligation of the Government in accordance with its terms; and

2) The name or names of the person or persons holding or acting in the office of the Government for the purposes of this Agreement, and a specimen signature of each person specified in such statement.

3) Evidence that the Government continues to comply with the International Monetary Fund Stabilization Program, as may be amended from time to time.

b. Special covenant

Except as A.I.D. may otherwise agree in writing, the Government shall covenant that:

Steps will be taken to make it possible for an independent auditor to audit the Government's accounts on an annual basis beginning within two to three years of the date of this agreement.

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OUTGOING
TELEGRAM

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STATE 020842

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INFO OCT-00 AMAD-01 /036 R

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APPROVED BY AID/AA/AFR:FSRUDDY
AID/AFR/DR/GCWAP:LBOND
AID/AFR/CWA:FSCORDATO
AID/AFR/GC:LOESOTO
AID/AFR/DP:RHYNES
AID/DAA/AFR:WHNORTH
AID/AFR/DR:HCOHEN
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TAGS:

SUBJECT: LIBERIA FINANCIAL MANAGEMENT AND TRAINING PROJECT
(669-0184) - PROJECT DEVELOPMENT
REFS: A) MONROVIA 11125; B) STATE 323698; C) MONROVIA
09819; D) MONROVIA 09747; E) HAGEL AND WOLTERS TO GARUFI
MEMO DTD OCTOBER 26, 1981; F) MONROVIA 06811

1. I WANT TO SHARE WITH YOU SOME OF AID/W'S THINKING ON
DEVELOPMENT OF THIS ACTIVITY.

2. PROJECT SHOULD CONTAIN FOLLOWING BASIC ELEMENTS:

A. MINISTER OF PLANNING WOULD DETERMINE SPECIFICS OF
MINISTRY OR AGENCY OF ASSIGNMENT, LEVEL, DURATION OF
ASSIGNMENT AND TASK TO BE PERFORMED.

B. PROJECT WOULD INCLUDE MIX OF LONG-TERM AND SHORT-TERM
ADVISORS.

C. AT START, NUMBER OF LONG-TERM ADVISORS WOULD NOT EXCEED
2 OR 3.

D. SENIOR LONG-TERM ADVISOR WOULD ACT AS TEAM LEADER AND
ADVISE MINISTER OF PLANNING ON MANAGEMENT OF PROJECT.

E. ANOTHER LONG-TERM ADVISOR WOULD ACT AS ADMINISTRATIVE
OFFICER FOR PROJECT.

F. INITIAL TOUR OF DUTY FOR LONG-TERM ADVISORS WOULD BE
ONE YEAR.

G. EVALUATION BEFORE LONG-TERM ADVISORS COMPLETED INITIAL
TOUR WOULD DETERMINE WHETHER PROJECT SHOULD BE CONTINUED
AND, IF SO, WHAT CHANGES SHOULD BE MADE.

H. LIFE OF PROJECT WOULD BE ABOUT 30 MONTHS.

I. LIFE OF PROJECT FUNDING WOULD BE 2 TO 3 MILLION DOLS
WITH MORE THAN HALF AVAILABLE DURING FIRST YEAR.

J. USAID/LIBERIA WOULD APPROVE SCOPE OF WORK FOR EACH
ADVISOR TO BE RECRUITED.

2. AID/W WILL MAKE EFFORT TO PUT PROJECT ON FAST TRACK
AND KEEP IT THERE. ELEMENTS OF THIS EFFORT INCLUDE:

A. WAIVER OF PID.

B. PREPARATION OF SHORT PP. PP WOULD INCLUDE 1) ANALYSIS
OF MACROECONOMIC SITUATION, 2) DESCRIPTION OF PROJECT IN
AS MUCH DETAIL AS POSSIBLE UNDER CIRCUMSTANCES, 3) FINAN-
CIAL PLAN AND 4) IMPLEMENTATION PLAN. OTHER ANALYSES
NORMALLY INCLUDED IN PP WOULD BE WAIVED.

C. PP AUTHORIZED IN AID/W ON BASIS OF . REVIZ/W AND
CLEARANCE OF AUTHORIZATION PACKAGE, RATHER THAN ON NORMAL
PROCESS INVOLVING SEVERAL REVIEW COMMITTEE MEETINGS.

D. INFORMAL, NON-COMPETITIVE PROCUREMENT OF MANAGEMENT
CONSULTANT FIRM WITH SPECIAL EXPERTISE/EXPERIENCE IN FINAN-
CIAL MANAGEMENT AREA TO MANAGE PROJECT. SELECTION WOULD
BE MADE FROM AMONG 3-4 FIRMS. NON-COMPETITIVE PROCUREMENT
WAIVER WOULD BE BASED ON NEEDS OF U.S. FOREIGN POLICY.

E. WILL HAVE EXPEDITED NEGOTIATION OF HOST COUNTRY CON-
TRACT WITH CONTRACTOR POSSIBLY COMMENCING MOBILIZATION
BASED ON LETTER OF INTENTNEGOTIATIONS TO INCLUDE GOL REPS.

3. IN ORDER FOR PROJECT TO BE DESIGNED DURING SHORT SMITH
TJY FOLLOWING ISSUES WILL HAVE TO BE RESOLVED WITH DES-
PATCH:

A. LOCATION. WHICH OF 9-10 GOL MINISTRIES AND AGENCIES
MENTIONED AS POSSIBLE RECIPIENTS OF ADVISORS IN VARIOUS
CABLES WILL ACTUALLY RECEIVE ADVISORS? DETERMINATION
NEE;S TO BE MADE AS TO WHICH GOL MINISTRIES/AGENCIES ARE
BOTH INTERESTED IN AND CAN PROFITABLY USE ADVISORS. IF
DEMAND IS LIKELY TO EXCEED FUNDING AVAILABLE, PRIORITIES
WILL HAVE TO BE ESTABLISHED.

B. LEVEL. VARIOUS CABLES HAVE MENTIONED HIGH-LEVEL
POLICY, MID-LEVEL POLICY OPERATIONAL, MID-LEVEL TECHNICAL
AND LOWER-LEVEL FUNCTIONAL ADVISORS. LEVEL OF ADVISORS TO
BE PROVIDED WILL HAVE TO BE DECIDED IN GENERAL TERMS.

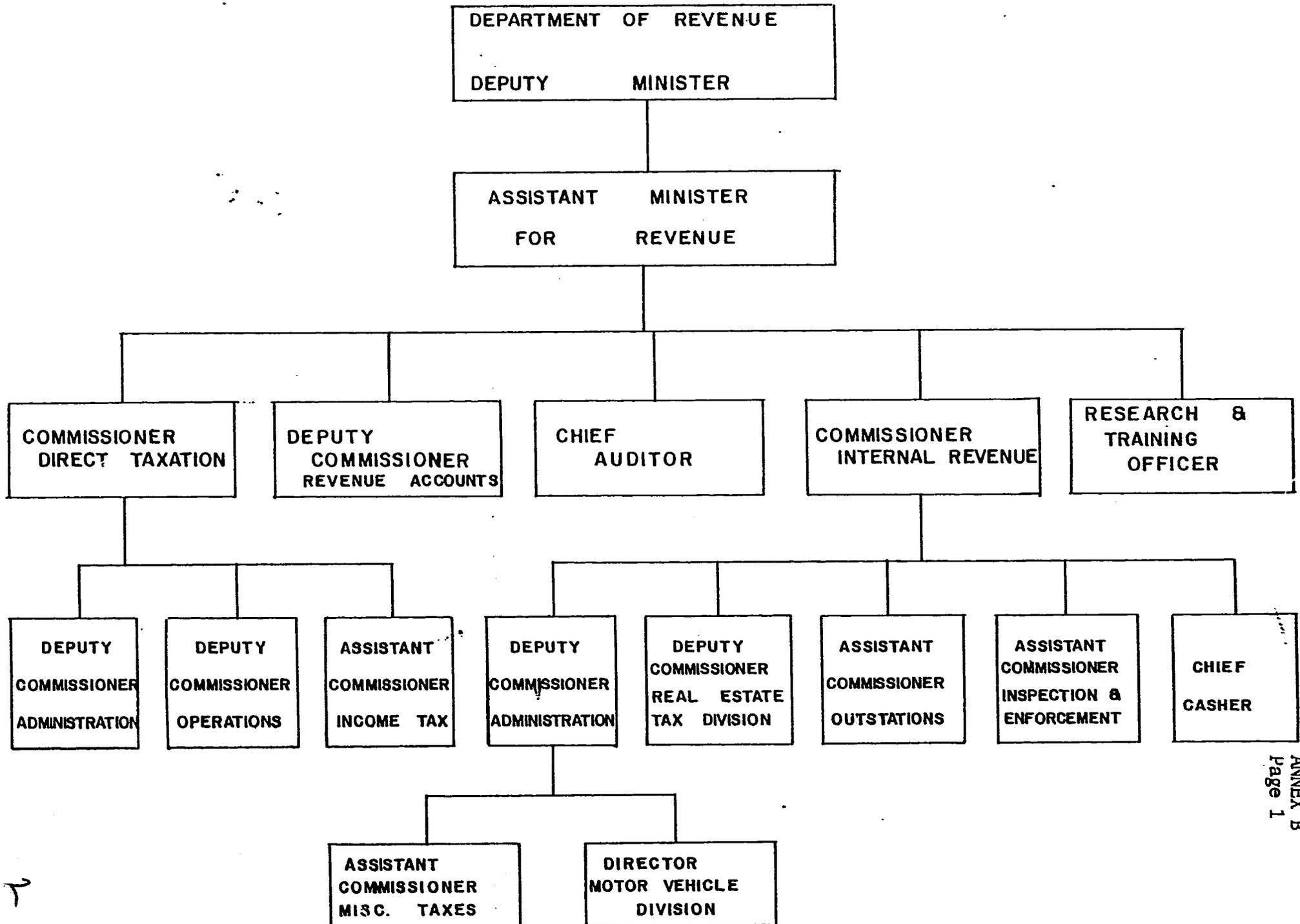
C. TASKS. GENERAL TYPES OF TASKS TO BE PERFORMED BY AD-
VISORS WILL ALSO HAVE TO BE DETERMINED. PP SHOULD CONTAIN
ILLUSTRATIVE LIST OF POSITIONS WITH SHORT SCOPES OF WORK
FOR INDIVIDUALS TO FILL THESE POSITIONS.

4. THE MORE SPECIFIC PP CAN BE MADE WITHOUT SACRIFICING
FLEXIBILITY, THE MORE LIKELY THAT THE PROJECT WILL BE
SUCCESSFUL IN HELPING GOL MEET ITS PRESSING MANAGEMENT
PROBLEMS.

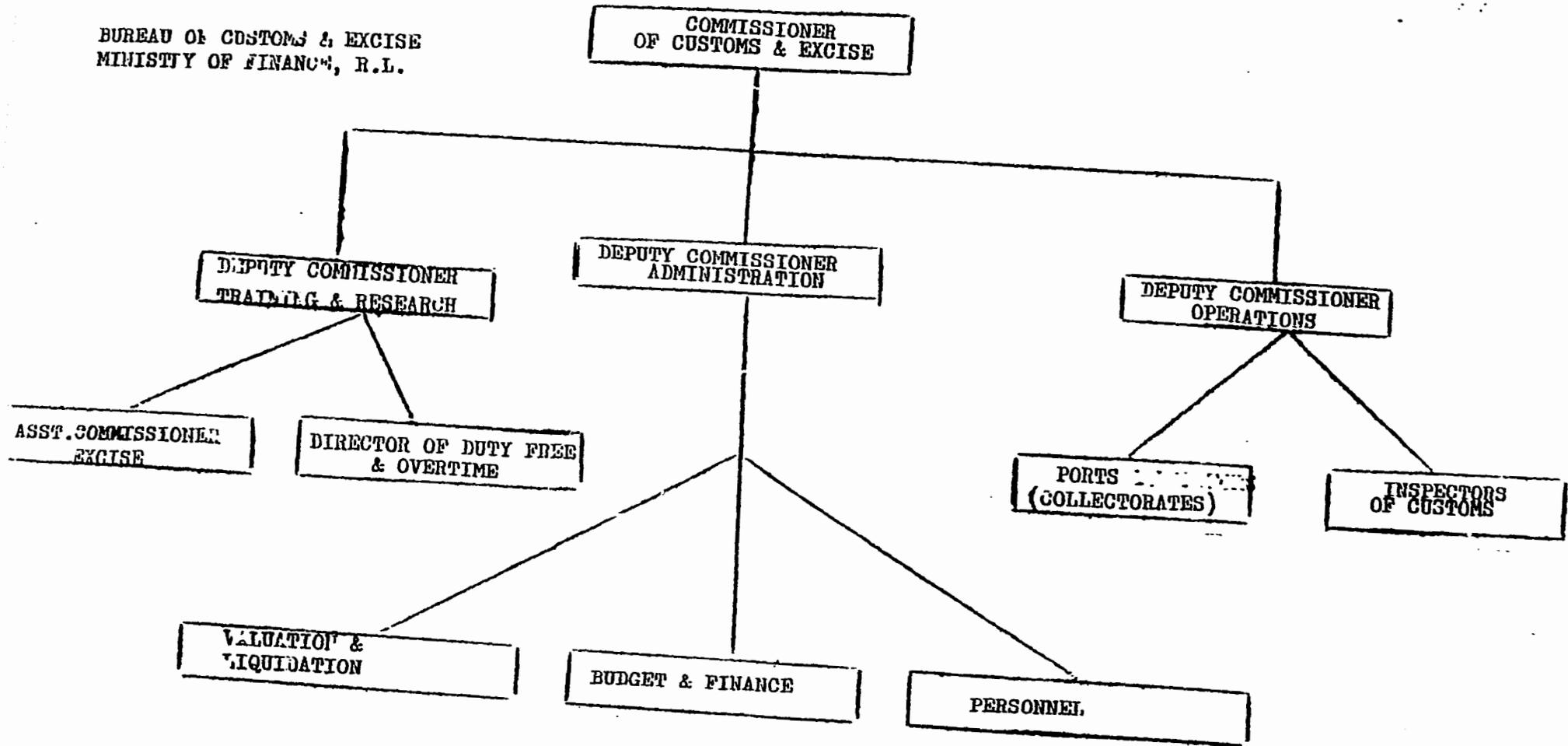
5. THOUGH WILL EXPEDITE THE AUTHORIZATION PROCESS, WISH
TO EMPHASIZE THAT PROJECT MUST MEET ALL LEGAL AND LEGISLA-
TIVE REQUIREMENTS, INCLUDING FAA SECTION 611 (A) REQUIRING
REASONABLY FIRM ESTIMATE OF COST TO THE USG. STOESEL

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BUREAU OF CUSTOMS & EXCISE
MINISTRY OF FINANCE, R.L.



FREEPORT OF MONROVIA
ROBERTS INTERNATIONAL AIRPORT
PORT OF BUCHANAN
PORT OF GREENVILLE
PORT OF HARPER, ETC.

ANNEX B
Page 2

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DEPARTMENT OF EXPENDITURES,
DEBT MANAGEMENT & BANKING
DEPUTY MINISTER, FISCAL AFFAIRS

EXPENDITURE & DEBT
MANAGEMENT
ASSISTANT MINISTER

BANKING
ASSISTANT MINISTER

ELECTRONIC DATA
PROCESSING
DIRECTOR

BUREAU OF GENERAL
ACCOUNTING
DIRECTOR

OFFICE OF THE
CONTROLLER
CONTROLLER

RECURRENT
EXPENDITURES
DEPUTY DIRECTOR

DEVELOPMENTAL
EXPENDITURES
DEPUTY DIRECTOR

DEBT MGMT
DEPUTY CONTR.

CASH MGMT
DEPUTY CONTR.

BILLINGS
ACC. PAYABLE

DISBURSING
OFFICE

RECEIVING
UNIT

PAYROLL
UNIT

PRE-AUDIT
UNIT

RECEIVING
UNIT

PAYROLL
UNIT

PRE-AUDIT
UNIT

FINANCIAL
COUNSELOR
ABROAD
U. S. A.

FINANCIAL
COUNSELOR
ABROAD
EUROPE

ANNEX C

Detailed Cost Estimate¹

I. <u>AID Grant</u>	FY82	FY83	FY84	Total
<u>A. Technical Assistance Contract</u>				
<u>1. U.S. Salaries</u>				
a. Home office				
1). Project Director				
\$57,000 x 15%	3,953	8,625	8,625	21,203
2). Backstop Officer				
\$40,000 x 50%	9,167	20,000	20,000	49,167
Subtotal home office	13,120	28,625	28,625	70,370
b. Field				
1). Long-term				
a). Economic and Financial				
Management Consultant				
(Team Leader)				
\$57,500/yr.	26,354	57,500	55,104	138,958
b). Program Budget and				
Budget Training				
Consultant \$50,000/yr.	16,667	50,000	33,333	100,000
Subtotal long-term	43,021	107,500	88,437	238,958
2). Short-term				
a). Undesignated				
\$50,000/yr.				
FY82 8 x 1½ mos.				
FY83 14 x 1½ mos.				
FY84 11 x 1½ mos.	50,000	87,500	68,750	206,250
b). Administrative Officer				
\$50,000/yr.				
FY82 3 mos.	12,500	—	—	12,500
c). Project Director				
\$57,500/yr.				
½ mo/yr.	2,396	2,396	2,396	7,188
d). Backstop Officer				
\$40,000/yr.				
½ mo/yr.	1,667	1,667	1,667	5,001
Subtotal short-term	66,563	91,563	72,813	230,939
Subtotal field	109,584	199,063	161,250	469,897
Subtotal U.S. salaries	122,704	227,688	189,875	540,267
2. <u>Differential</u>				
a. Long-term field				
salaries x 25%				
(maximum salary plus				
differential is \$60,562.50)	4,924	13,625	9,721	28,270

1. Based on March 1, 1982 project authorization.

	FY82	FY83	FY84	Total
b. Short-term field salaries over 42 days x 25%	1,563	—	—	1,563
Subtotal differential	6,487	13,625	9,721	29,833
3. <u>Overhead</u>				
100% x U.S. salaries	122,704	227,688	189,875	540,267
4. <u>Travel and Transportation</u>				
a. U.S. air fare	1,000	1,000	1,000	3,000
b. International Air Fare				
1). Long-term consultants				
a). To and from Liberia				
2 families x 3 full fare RT tickets @ \$1600	4,800	—	4,800	9,600
b). TDY to U.S.				
2 RT tickets @ \$1600	—	1,600	1,600	3,200
c). Medical evacuation and emergency leave 2 RT tickets @ \$1600	—	1,600	1,600	3,200
d). R&R to Paris				
2 families x 3 full fare RT tickets @ \$1900	—	11,400	—	11,400
2). Short-term consultants				
RT tickets to and from Liberia @ \$1600				
FY 82 11				
FY 83 16				
FY 84 13	17,600	25,600	20,800	64,000
Subtotal international air fare	22,400	40,200	28,800	91,400
c. Excess Baggage				
1). Long-term consultants RT @ \$130	390	130	520	1,040
2). Short-term consultants RT @ \$130	1,430	2,080	1,690	5,200
Subtotal excess baggage	1,820	2,210	2,210	6,240
Taxi Fare				
1). Long-term consultants				
2 U.S. + 2 Liberia @ \$20 x number of RT	80	80	160	320
2). Short-term consultants				
2 U.S. + 2 Liberia @ \$20 x number of RT	880	1,280	1,040	3,200
Subtotal taxi fare	960	1,360	1,200	3,520
e. Air Freight				
2 families x 700 lbs. @ \$3.50/lb.	4,900	—	4,900	9,800

	FY82	FY83	FY84	Total
f. Household effects 2 families x 2500 lbs @ \$3,00/lb	15,000	—	15,000	30,000
g. Storage 2 families @ \$1000/yr	958	2,000	1,708	4,666
h. Monrovia Per Diem FY 82 16 short-term pm FY 83 22 short-term pm FY 84 17½ short-term pm @ \$92/day	44,160	60,720	48,300	153,180
Subtotal travel and transportation	91,198	107,490	103,118	301,806
5. <u>Local Salaries</u>				
a. Administrative Assistant @ \$6000/yr	2,750	6,000	5,250	14,000
b. Secretary (local-hire expatriate) @ \$11,000/yr.	5,042	11,000	9,625	25,667
c. Drivers 2 @ \$2,500/yr.	625	5,000	4,375	10,000
d. Guards 2 houses @ \$386/mo.	3,667	9,264	7,141	20,072
Subtotal local salaries	12,084	31,264	26,391	69,739
6. <u>Local Benefits</u>				
Local salaries x 20%	2,417	6,253	5,278	13,948
7. <u>Local Expenses</u>				
a. Rent 2 houses @ \$7500/yr.	5,938	15,000	11,563	32,501
b. Utilities 2 houses @ \$1000/mo.	9,500	24,000	18,500	52,000
c. Vehicle operation maintenance and repair 2 vehicles @ \$4000/yr.	1,000	8,000	7,000	16,000
d. Vehicle insurance 2 vehicles @ \$625/yr.	1,250	1,250	1,250	3,750
e. Cost of living allowance @ 8.5% of long-term field salaries	3,657	9,138	7,517	20,312
Subtotal local expenses	21,345	57,388	45,830	124,563

	FY82	FY83	FY84	Total
8. <u>Vehicle and Equipment</u>				
a. <u>Vehicles</u>				
1). Sedan including freight @ \$11,000	11,000	—	—	11,000
2). Carryall including freight @ \$15,000	15,000	—	—	15,000
b. Office equipment including freight	10,000	—	—	10,000
c. Household equipment and major appliances including freight 2 houses @ \$10,000	20,000	—	—	20,000
Subtotal vehicles and equipment	56,000	—	—	56,000
9. <u>Other Direct Costs</u>				
a. <u>Education Allowance</u>				
4 @ \$4,000 + \$100 registration fee	5,733	16,000	16,000	37,733
b. <u>Medical examination</u>				
4 adults @ \$250	1,000	—	1,000	2,000
4 children @ \$150	600	—	600	1,200
c. <u>Passports, visas and shots</u> @ \$100/person	1,900	1,600	1,300	4,800
d. <u>Communications expenses @</u> \$1,000/mo.	5,500	12,000	10,500	28,000
e. <u>Office supplies @ \$500/mo.</u>	2,750	6,000	5,250	14,000
f. <u>Defense Base Act (DBA)</u> insurance 15% of field salaries plus differential	17,411	31,903	25,646	74,960
Subtotal other direct costs	39,894	73,503	66,296	179,693
Subtotal 1 through 9	474,833	744,899	636,384	1,856,116
10. <u>Fixed Fee</u>	36,811	68,306	56,963	162,080
Subtotal 1 through 10	511,644	813,205	693,347	2,018,196
11. Inflation factor 12% for 1984	—	—	83,202	83,202
Total Technical Assistance Contract	511,644	813,205	776,549	2,101,398

Note: USAID/Liberia will provide some items of support to the technical assistance contractor directly and charge the Project for them. Such items will be deleted from the technical assistance contract budget.

	FY82	FY83	FY84	Total
B. <u>Long-term Overseas Academic Training</u>				
1. Ministry of Finance 6 x 24 mos. @ FY82 \$1850/mo. FY83 2000/mo. FY84 2200/mo.	11,100	144,000	145,200	300,300
2. Ministry of Planning and Economic Affairs 3 x 24 mos.	5,550	72,000	72,600	150,150
3. Bureau of the Budget 1 x 24 mos.	1,850	24,000	24,200	50,050
4. Undesignated 4 x 24 mos.	7,400	96,000	96,800	200,200
Total Long-term Overseas Academic Training	25,900	336,000	338,800	700,700
C. <u>Evaluation</u>				
Total AID Grant	537,544	1,174,205	1,145,349	2,857,098
Contingency @ 5%	26,877	58,710	57,268	142,855
Grand Total	564,421	1,232,915	1,202,617 Say	2,999,953 3,000,000
II. <u>GOL Contribution</u>				
A. <u>In-country Training</u>				
1. Trainee salaries 20 participants/seminar or short course x 10 mos. of seminars and courses x \$12,000/yr.	40,000	100,000	60,000	200,000
2. Training facilities 10 mos. @ \$24,000/yr.	4,000	10,000	6,000	20,000
3. Training support 10 mos. @ \$2,000/mo.	4,000	10,000	6,000	20,000
Subtotal in-country training	48,000	120,000	72,000	240,000
B. <u>Long-term Overseas Academic Training</u>				
1. Trainee salaries 14 x 24 mos. @ \$10,000/yr.	11,667	140,000	128,333	280,000

	FY82	FY83	FY84	Total
2. Trainee international air fare to and from U.S. 14 RT tickets @ \$1,600	11,200	—	11,200	22,400
Subtotal long-term overseas academic training	22,867	140,000	139,533	302,400
C. Administration				
1. Counterpart salaries				
a. Economic and Financial Management Consultant (Team Leader) 28 mos @ \$16,000/yr.				
	7,333	16,000	14,000	37,333
b. Program Budget and Budget Training Consultant 24 mos. @ \$18,000/yr.				
	6,000	18,000	12,000	36,000
c. Short-term consultants 49½ mos. @ \$12,000/yr.				
	12,000	21,000	16,500	49,500
Subtotal counterpart salaries	25,333	55,000	42,500	122,833
2. Counterpart support costs				
a. Salaries (typists, etc.)				
1). Long-term 52 mos. @ \$10,000/yr.				
	7,917	20,000	15,417	43,334
2). Short-term 49½ mos. @ \$5,000/yr.				
	5,000	8,750	6,875	20,625
b. Other support costs				
1). Long-term 52 mos. @ \$2,000/yr.				
	1,583	4,000	3,083	8,666
2). Short-term 49½ mos. @ \$1,500/yr.				
	1,500	2,625	2,063	6,188
c. Office space including furnishings				
1). Long-term 52 mos. @ \$15,000/yr.				
	11,875	30,000	23,125	65,000
2). Short-term 49½ mos. @ \$10,000/yr.				
	10,000	17,500	13,750	41,250
Subtotal counterpart support costs	37,875	82,875	64,313	185,063

	FY82	FY83	FY84	Total
3. Consultant office space including furnishings				
a. Long-term 52 mos. @ \$10,000/yr.	7,917	20,000	15,417	43,334
b. Short-term 49½ mos. @ \$10,000/yr.	10,000	17,500	13,750	41,250
Subtotal consultant office space	17,917	37,500	29,167	84,584
Subtotal administration	81,125	175,375	135,980	392,480
Subtotal	151,992	435,375	347,513	934,880
D. <u>Inflation factor 18% for 1984</u>			62,552	62,552
Total GOL Contribution	151,992	435,375	410,065	997,432
Contingency @ 5%	7,600	21,769	20,503	49,872
Grand Total GOL Contribution	159,592	457,144	430,568	1,047,304
Grand Total Project	724,013	1,690,059	1,633,185	4,047,257
Grand Total GOL Contribution as Percent of Grand Total Project				25.9%

INITIAL ENVIRONMENTAL EXAMINATION

OR

CATEGORICAL EXCLUSION

Project Country: Liberia

Project Title: Economic and Financial Management and Training (669-0184)

Funding: FY (s) 1982 and 1983 \$ 3,000,000

IEE Prepared by: E. H. Smith, AFR/DR/CCWAP

Environmental Action Recommended: Not Applicable

Positive Determination _____
Negative Determination _____

Categorical Exclusion:

This activity meets the criteria for Categorical Exclusion in accordance with Section 216.2 (C) and is excluded from further review because:

The activity proposed for A.I.D. financing is a \$3 million project which will provide long-term and short-term technical assistance and in country and long-term academic training to help the GOL improve its capability to manage the public sector of the economy from both the economic and financial standpoints. Section 216.2(c)(2)(i) of A.I.D. Regulation 16 (the A.I.D. Environmental Procedures) provides a categorical exclusion from those regulations of programs which are for education, technical assistance or training and which will not directly affect the environment.

Concurrence: George R. Thompson for
Bureau Environmental Officer

APPROVED _____

DISAPPROVED _____

DATE _____

Clearance: GC/AFR LD Date 4/16/82

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5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable generally to projects with FAA funds and project criteria applicable to individual funding sources: Development Assistance (with a subcategory for criteria applicable only to loans); and Economic Support Fund.

A. GENERAL CRITERIA FOR PROJECT

1. Continuing Resolution
Unnumbered; FAA Sec. 634A;
Sec. 653(b).

(a) Describe how authorizing and appropriations Committees 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 amount)?

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial 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?

a. A Congressional Notification will be sent before authorization.

b. Yes.

a. Yes

b. Yes

NA

A. 4. FAA Sec. 611(b); Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973?

NA

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 and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

NA

6. FAA Sec. 209. 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.

No. The urgent nature of the Project prevents it from being executed as part of a regional or multilateral project.

7. FAA Sec. 601(a). 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; and (c) encourage development and use of cooperatives, and 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.

By promoting the stabilization of the Liberian economy, the Project will: (a) increase the flow of international trade, (b) foster private initiative and competition and (e) improve technical efficiency of industry, agriculture and commerce.

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.

A U.S. firm will provide the required technical assistance and U.S. universities will provide required long-term academic training.

a. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

9. FAA Sec. 612(b), 636(h); Continuing Resolution Sec. 508. 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 in lieu of dollars.

The GOL will contribute support costs for in country and long-term overseas academic training and general administrative support for the Project.

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

No. The U.S. dollar is the local medium of exchange.

11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes.

12. Continuing Resolution Sec. 522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

NA

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-

Since economic stabilization is a prerequisite to revitalization and expansion of Liberia's development program, the Project will have a favorable effect in all of these areas.

B.1.a. intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (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; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

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

(1) [103] for agriculture, rural development or nutrition; if so (a) extent to which activity is specifically designed to increase productivity and income of rural poor; 103A if for agricultural research, full account shall be taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made; (b) extent to which assistance is used in coordination with programs carried out under Sec. 104 to help improve nutrition of the people of developing countries

3.1.5.(1) through encouragement of increased production of crops with greater nutritional value, improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration of programs explicitly addressing the problem of malnutrition of poor and vulnerable people; and (c) extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

(2) [104] for population planning under sec. 104(b) or health under sec. 104(c); if so, (i) extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems and other modes of community research.

(4) [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;

The purpose of the Project is to improve the capability of the GOL to manage the public sector of the economy from both the economic and financial standpoints. Economic stabilization is a prerequisite to revitalization and expansion of Liberia's development program.

3.1. c. [107] is appropriate effort placed on use of appropriate technology? (relatively smaller, cost-saving, labor using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor.)

d. FAA Sec. 110(a). Will the recipient country 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)?

Yes.

e. 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, or is the recipient country "relatively least developed"?

No.

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 civil education and training in skills required for effective participation in governmental processes essential to self-government.

The Project depends on the proper utilization of Liberia's human resources in the area of economic and financial management of the public sector for its success.

g. FAA Sec. 122(b). 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?

Economic stabilization is a prerequisite to making progress in these areas.

ANNEX F

Justification for a Waiver of the PID and Certain PP Analysis Requirements of Handbook 3

- (a) Cooperating Country : Liberia
- (b) Project : Economic and Financial Management and Training Project (669-0182)
- (c) Nature of Funding : Grant

Problem: Confirmation of your approval of a waiver of the PID and certain PP Analysis Requirements of Handbook 3 is required.

Discussion:

The Liberian economy is currently in deep trouble. It has been in an almost continuous state of crisis since mid-1980. The two principal causes of this ongoing crisis are a large and widening foreign exchange gap and large and stubborn budget deficits.

The foreign exchange gap results primarily from stagnating export earnings on the one hand and the need to transfer overseas balances to the domestic economy to finance large budget deficits and increase the money supply on the other. Because Liberia uses the U.S. dollar as its domestic medium of exchange, its overseas balances play a unique role in the economy. Not only are overseas balances used to finance imports and other foreign obligations, but they are also used to finance budget deficits and increase the money supply. Growing demands for overseas balances for these purposes have badly outstripped Liberia's ability to generate them, resulting in a widening foreign exchange gap.

Liberia's large budget deficits stem primarily from: (1) declining revenue growth, (2) bloated military and civil service payrolls, (3) lack of expenditure discipline, (4) subsidies to unprofitable and mismanaged public corporations, (5) mounting debt service and (6) rapidly increasing military expenditures. Since the U.S. dollar is the medium of exchange in Liberia, budget deficits cannot be financed through printing money. Sooner or later they must be financed through the transfer of overseas balances to Liberia. Since budget deficits are a primary cause of both the foreign exchange gap and GOL fiscal problems, they can be accurately characterized as the root cause of the ongoing fiscal and balance of payments crisis.

The adverse effects of the widening foreign exchange gap and large budget deficits have permeated the Liberian economy. The banking system has become increasingly illiquid, a sharp decline in the development budget has caused a parallel decline in public investment and lack of confidence within the private sector has resulted in private investment remaining at low levels. The decline in public and private investment, together with the illiquidity of the banking system, has led to a contracting economy marked by high and increasing urban unemployment.

A joint GOL/IMF \$85 million, two-year, standby stabilization program is in its second year. So far the GOL has met the IMF performance criteria and received each tranche of IMF funding on time. However, meeting the criteria has become increasingly difficult with the distinct possibility that they may not be met.

Since August 1980 the U.S. Government has provided \$53 million in program grants to the Government of Liberia from the Economic Support Fund (ESF). An additional \$19 million is currently under consideration.

These grants, although essential for the GOL to deal with its ongoing fiscal crisis and meet its international obligations, have left the underlying causes of Liberia's economic malaise almost untouched. The prolongation of the current fiscal and balance of payments crisis, the continued decline of the Liberian economy and the recent widening of the financing gap have all brought home to U.S. Government policy-makers that the Liberian economy cannot be stabilized through liberal doses of cash for budget support alone. Increasingly it has been realized that U.S. assistance should include technical assistance and training in the economic and financial management of the public sector as well. The Economic and Financial Management and Training Project is designed to meet this need.

Liberia's needs for assistance in the economic and financial management of the public sector are immediate and urgent. For most normal AID development projects, the time required to move from the pre-PID stage to the mobilization of a technical assistance team in the field exceeds two years. This type of time schedule is not suitable for this Project. If Liberia is to avoid financial collapse, major progress in reducing the budget deficit must be made in the next several months.

The AID Administrator and Assistant Administrator for Africa recognized the urgency of the problem during their January 1981 visit to Liberia. They told senior GOL officials that the project design and technical assistance contract procurement processes would be expedited and that the first consultant financed under the Project would be arriving within a few months.

The AID/Washington guidance cable (Annex A), which was sent to USAID/Liberia after the Administrator and Assistant Administrator for Africa returned to the U.S., listed certain specific steps which would be taken to expedite these processes. Included among these steps were waivers of the PID and preparation of a short PP. The PP would include (1) an analysis of the macroeconomic situation, (2) a description of the project in as much detail as possible under the circumstances, (3) a financial plan and (4) an implementation plan. The other analyses normally included in a PP would be waived.

The basic project design has been approved after executive review (See Annex A). The PP includes an analysis of the macroeconomic situation, a detailed project description, a financial plan and an implementation plan.

Recommendation: That you confirm your approval of the waiver of the PID and all PP analyses other than those listed above, all of which are required by Handbook 3.

**ACTION
COPY**

Department of State

TELEGRAM

PAGE 01
ACTION AID-35

MONROV 05045 250744Z

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INFO OCT-00 INR-10 AF-10 EB-08 AMAD-01 /064 W
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P 250733Z MAY 82
FM AMEMBASSY MONROVIA
TO SECSTATE WASHDC PRIORITY 2299

UNCLAS MONROVIA 05045

AIDAC

E. O. 12065: N/A
SUBJECT: TRAINING PROJECT (669-0184)

REF: STATE 137631

1. PER REFTEL, FOLLOWING IS GOL REQUEST FOR ASSISTANCE DATED FEBRUARY 25, 1982. QUOTE DEAR MR. GARUFI: BASED ON OUR ANALYSIS OF THE FINANCIAL SITUATION FACING LIBERIA, WE HAVE CONCLUDED THAT THERE IS A NEED TO IMPROVE THE ECONOMIC AND FINANCIAL MANAGEMENT OF THE PUBLIC SECTOR. IN ORDER FOR US TO STRENGTHEN THIS AREA, WE WOULD LIKE TO REQUEST ASSISTANCE OF THE UNITED STATES GOVERNMENT. SPECIFICALLY, WE WOULD LIKE AT LEAST TWO LONG-TERM CONSULTANTS AND SHORT-TERM TECHNICAL ASSISTANCE AND IN-COUNTRY AND LONG-TERM ACADEMIC TRAINING TO ASSIST IN IMPROVING THE GOVERNMENT'S CAPABILITY TO MANAGE THE PUBLIC SECTOR OF THE ECONOMY, PARTICULARLY THE BUDGETARY AND EXPENDITURE CONTROL PROCESS. THIS ASSISTANCE WILL CONCENTRATE ON THE THREE AGENCIES WHICH ARE JOINTLY RESPONSIBLE FOR OVERALL MANAGEMENT OF THE PROCESS, THE MINISTRY OF FINANCE, THE BUREAU OF THE BUDGET AND THE MINISTRY OF PLANNING AND ECONOMIC AFFAIRS. OUR THINKING AT THIS STAGE IS THAT THE ASSISTANCE WOULD NEED TO BE VERY PRACTICAL IN NATURE, INVOLVING A REVIEW AND ANALYSIS OF THE PROBLEMS IN THE MANAGEMENT OF THE GOL BUDGETARY PROCESS AND MAKE RECOMMENDATIONS FOR IMPROVING THE PROCESS; AND THE DEVELOPMENT OF A TRAINING PROGRAM INCLUDING ON-THE-JOB TRAINING, SEMINARS, AND SHORT COURSES FOR SENIOR OFFICIALS INVOLVED IN FINANCIAL MANAGEMENT AT THE VARIOUS MINISTRIES. WE WOULD LIKE TO DISCUSS FURTHER THIS ASSISTANCE WITH YOU AS SOON AS POSSIBLE. KINDEST REGARDS, IN THE CAUSE OF THE PEOPLE, THE STRUGGLE CONTINUES; SINCERELY YOUR G. ALVIN JONES, MINISTER UNQUOTE. SWING

AIR/TELETYPE UNIT
MAY 25 11 10 AM '82

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HUMAN RIGHTS PROCEDURES MEMORANDUM

TO : HA

FROM : AID/AFR/DR/CCWAP , E. H. Smith

SUBJECT: Human Rights Clearance

The following project:

Title: Economic and Financial Management and Training
Number: 669-0184
Country: Liberia
Amount: \$3,000,000

is to be authorized in AID/W / in the field . This project was / was not among those reviewed by the Working Group in February 1982. The appropriate materials are attached.

HA concurrence is requested. If we are not notified within 15 days, we will assume concurrence.

TO : AID/AFR/DR/CCWAP , E. H. Smith

FROM : HA

Proceed with authorization

Request hold authorization pending further review

Ray Johnson
Signature
May 26, 1992
Date

cc: PPC/PDPR, MZak
Room 3245 NS

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