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# Liberia Improved Budget, Assets and Mining Management (LIBAMM) Annual Report 2006 – 2007

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# Liberia Improved Budget, Assets and Mining Management (LIBAMM) Project Annual Report – Year 1

Presented to USAID/Monrovia



Figure 1 The LIBAMM Team

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## **MANDATE AND RESULTS**

USAID and the Government of Liberia mandated LIBAMM's internationally recruited experts to facilitate the recovery process in three key institutions, the Bureau of the Budget, the Ministry of Lands, Mines and Energy, and the General Services Agency.

Key results achieved by December 2007 included:

### **RAPID PROJECT MOBILIZATION**

The IBI team was on the ground and operational in record time, despite the lack of basic infrastructure in the country. Within seven weeks of contract signature (April 5, 2006) the project was registered, the experts were at work with their counterparts, local staff had been hired, experts were in permanent furnished housing, the project office had vehicles, drivers, electricity, water, computers, furniture, 24-hour V-sat internet connection in offices and apartments, accounting and procedures systems, a local lawyer, and a local bank account funded by the home office. IBI worked with the Mitchell Group and local contractors Subah-Bello to conduct a team-building workshop for all partners that produced a coherent work plan. This allowed experts and partners to focus immediately and consistently on shared goals so that they could produce rapid results for improved economic management.

### **BUREAU OF THE BUDGET**

- Budget being prepared by all Ministries and funded institutions
- Budget balanced within the first four months
- Program-based budget system designed and replaced expenditure-based, discretionary budgeting
- All funded institutions trained to begin using performance-based budgeting
- Disparate payroll lists reconciled, reducing ghost workforce (civil service, Ministry of Finance, Bureau of the Budget and line ministries)
- Accurate budget implementation reports issued monthly, allowing all branches of government to manage finances
- Allocation processing time reduced from two-weeks to 1 day, facilitating transparent program implementation and local service delivery
- Transfers from one budget line to another, previously numerous, now minimized
- Revenues up 60 percent in 2006 over 2005, expected to more than double in 2007

### **MINISTRY OF LANDS, MINES AND ENERGY**

- Following international best practices in implementing frameworks to boost investor confidence, concessions review check list developed and implemented based on international standards (US, Australian and South African)
- The economic, social, and environmental costs and benefits of 7 mineral development agreements and 40 mineral exploration agreements reviewed, and substantially revised

approach to mineral development and exploration concessions based on international best practice being designed and implemented

- With IBI's assistance, USD1.1 billion Arcelor Mittal Steel iron mining agreement renegotiated. Changes proposed by IBI's expert, and their reflection in the final agreement, included
  - Restricting excessive use of credit, generating an additional USD12 million in tax revenues vs. original business plan
  - Safeguards against transfer pricing loopholes to generate additional millions in tax revenue
  - Retention of rail and port ownership by the Government, replacing the original agreement transferring ownership to the mining company
  - Insistence on updated environmental, consultative and socio-economic provisions, closing off loopholes that might have pushed responsibility for environmental damage to earlier mine operators, and initiating a model corporate social responsibility program provision
- Concessioning of major documented deposits moved to international tender system; the Western Cluster iron mining area tendered using transparent, inter-ministerial process and procedures; investment estimated at \$2 billion.
- Tender documents to be prepared shortly for Bong iron mining area, using same tendering procedures and LIBAMM technical assistance
- Petroleum law and concessions reviewed, as all of these deviated substantially from existing law, and annulment and revised concessioning recommended (Government did not accept this recommendation; see below)
- A draft national minerals policy as a major step towards implementing a socially, economically, and environmentally sustainable minerals policy, in accordance with international best practices and adaptable to the Liberian context developed, and consultative workshop held, facilitating feedback and large-scale buy in by all stakeholders
- A draft standard mineral development agreement (MDA) developed
- A digitized mining cadastre designed to make licensing transparent and minimize conflicts over mining rights
- Held stakeholder workshops on minerals policy, the MDA and cadastre design
- Liberia's application to the International Extractive Industries Transparency Initiative facilitated

## **GENERAL SERVICES AGENCY**

- LIBAMM change management specialist mapped and reengineered 61 core business processes and related personnel responsibilities, identifying inefficiencies and bottlenecks; reorganized along functional lines
- GSA to focus on only six core functions recommended as a result of the process mapping, and a detailed professional business plan written for the first time with large-scale participation of GSA staff and government counterparts
- Payroll reduced from 590 to 375, mainly by reconciling payroll lists with the Bureau of the Budget, taking attendance, and eliminating ghost employees

- Recovered nearly 300 vehicles taken by former officials of the previous interim government
- Fleet Management Plan for government vehicles developed, increasing efficiency in fleet maintenance and eliminating discretionary and abusive practices in government vehicle use
- A centralized fuel purchasing/distribution system designed to curb corruption that emerged from coupon system
- Generator maintenance training and inventory program begun, increasing the life and user efficiency of an important resource in a country that lacks basic power infrastructure
- Renovation of thoroughly gutted GSA facilities begun, to accommodate the transition recommended as a result of the process mapping and the subsequent business plan
- Internal audit training conducted for GSA, MLME, BOB and MOF

## BACKGROUND

In 2005 as Liberia approached the restoration of elected government after 14 years of civil conflict, USAID put a high priority on assisting the country to restore sound economic governance. GDP had plunged a stunning 90 percent during the most intense fighting between 1987 and 1995. By 2003 it had recovered to just one quarter the 1987 level.<sup>1</sup> Economic mismanagement began before the war years. The problem worsened during the conflicts. Annual government revenues followed the declining GDP, dropping to USD80-85 million, about one-quarter of their prewar levels. This amounted to about USD25/year per capita, one of the lowest levels in the world. The external debt, meanwhile, had escalated to USD4.5 billion, more than USD10,000 for each of Liberia's 3.5 million citizens. In 2004 and 2005 under the National Transition Government of Liberia (NTGL), tax revenues and receipts from state-owned enterprises had diminished radically, and were believed to be padding private pockets.

The newly elected government of President Ellen Johnson Sirleaf took office in January 2006. It was determined to seek not just a peace dividend, but a restructuring of economic governance that would be more diverse, equitable and sustainable than its heritage. The government put in place a unique strategic planning and implementation coordinating structure, headed by the Liberian Reconstruction and Development Committee (LRDC). Each of the four key ministries represented on the LRDC Steering Committee chairs one of the four pillar groups of the recovery program

- Expanding peace and security (Defense)
- Revitalizing economic activity (Finance)
- Strengthening governance and the rule of law (Planning)

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<sup>1</sup> Statistics cited here are estimates prepared by a team headed by Steve Radelet published in "Reviving Economic Growth in Liberia," Center for Global Development, working paper no. 133, November 2007. The ability to collect and analyze statistics was virtually destroyed during the years of warfare, as were many/most paper records.

- Rebuilding infrastructure and providing basic services (Public Works)

The LIBAMM Project comes primarily under Pillar II, revitalizing economic activity, although LIBAMM’s GSA component also contributes to Pillar IV, rebuilding infrastructure and providing basic services. Under Pillar II is another coordinating structure, the Governance and Economic Management Assistance Program (GEMAP), under which donors provides expert guidance in key ministries, agencies and state-owned enterprises. Their first task was to ensure that financial hemorrhaging stopped and internal financial controls were instituted in each institution.

## ACHIEVEMENTS AND IMPACTS

### BUREAU OF THE BUDGET

Prior to USAID technical assistance, line ministries and agencies in Liberia would submit requests to the Bureau of the Budget (BOB) to get their periodic allocations of operating funds. There were no clear guidelines or rules as to how the BOB officers were to fulfill their duties in this regard. Under the NTGL and previous governments, the Chief Executive’s word was law. Special treatment from line ministry staff of BOB officers would help to “facilitate” allocations, and even result in allocations that exceeded the amounts that the Legislature had appropriated. This subverted the budget process and opened it to corruption.

The elected government that took office in 2006 pledged to consistently get money to where it is supposed to go – and only there. IBI advisors, working closely with a new, invigorated BOB management, established new forms and procedures for all basic budget activities to head off these sources of abuse. IBI’s work with the BOB has succeeded in cutting allocation times from an average of two weeks to a single day. It has greatly improved analytical capacity for budget hearings and recommendations. With IBI’s assistance, the BOB has significantly altered the budget process to make it more collaborative, not only among Budget Committee members, but between the line agencies and central agencies to produce a single, unified and effectively monitored budget. Our consultants, led by Ms. Eileen Browne, LIBAMM TOCOP and resident budget advisor, have introduced performance-based budgeting systems, advising the BOB staff on the consolidation and integration of

#### *Leadership From Behind*

*Clients and the press have sometimes criticized the GEMAP program, implying that technical assistance was donor-driven, arrogant, and not participatory enough. IBI’s approach to LIBAMM has been one of “leading from behind.” Our advisors made sure from day one that the reform process was inclusive, participatory, and owned by our government counterparts. This approach originates in IBI’s home office culture with the selection and orientation of the experts sent to Monrovia. IBI’s Chief of Party worked very closely coaching budget presenters in numerous forums. BOB officials were the first to make PowerPoint presentations directly to the GEMAP technical team in place of GEMAP experts, for example. Initially it took much coaching, but confidence developed rapidly. Similarly the GSA business plan and the National Minerals Policy and model Mineral Development Agreement were developed and presented in a way that builds confidence, trust, and the technical skills to inspire, own, and adapt to change. Our counterparts at the three government organizations have all asked for LIBAMM assistance to continue when the initial USAID contract ends – a clear indication that our participatory approach was useful.*

the country's first-ever computerized budget process, implementing monitoring and evaluation mechanisms to better assess the efficiency of expenditures and requests, and producing reports and analyses to support allocation recommendations, justifications, and revenue projections against clearly defined criteria based on performance and results.

The new budget forms have a summary cover page stating the mission of the ministry or agency concerned and the results it anticipates achieving in the coming year. Supporting detailed forms cover everything from personnel and equipment to allowances for pensions and handicapped persons. In the process of completing them, ministries are now defining their goals better and focusing on accomplishments. Ms. Browne works with the Budget Analyst assigned to each Ministry to train the senior ministry budgeting staff on how to prepare the budget submission. In the process she drills them on how they can defend their proposed expenses to the legislature, to the executive branch, to their own personnel, and to the country. This has produced, for the first time, a realization all over town that budgets matter.



The Director of the Budget commented that most projects train only the top personnel. Ms. Browne has trained all levels of the Bureau of the Budget, including budget analysts, as well as the ministries and agencies with which they work. Some ministries involved mainly their top management and budget/financial management staff in the BoB training sessions. The Ministry of Education, however, brought in 128 staff from all parts of the country to ensure that everyone understood how budgets are made and managed.

Here is a summary of key achievements:

- The budget was submitted to the Legislature on time, an historic first
- Within four months, the BOB rapidly approved more than 85% of expected allocations in accordance with clearly written criteria, a huge improvement over the result of 50% as reported in a previous UN report.
- Allocations can no longer exceed appropriations, since the appropriate values are pre-populated in standardized allocation forms and systems.
- New regulations have been passed eliminating discretion and requiring notifications to the Legislature. In the latest budget year, only 4 inter-agency transfers were executed, compared to hundreds before.
- In budget hearings, agencies now have to justify their requests on the basis of the goods and services that will be delivered to the Liberian people.

- Efficiency gains as a result of extensive training we delivered to 40 line agencies and ministries in standardized performance-based systems significantly reduced the BOB's burden in assessing the budgets submitted
- Over 300 people were trained in the budget process
- The new budget forms required payroll inputs from ministries, the civil service and the Ministry of Finance pay list. The reconciliation process allowed ghost employees to be eliminated throughout government [Eileen, any estimate of numbers of ghost employees eliminated?]

These reforms, together with tightening of revenue streams throughout the GEMAP process doubled the budget in the first year and allowed the GoL to increase basic civil service salaries from USD35 a month to about USD75 per month. With higher salaries came higher expectations for productivity in the delivery of services, education and health care.

Now budget execution in Liberia is much more in line with appropriations than ever, and BOB officers' discretion is becoming a thing of the past. The budget cycle still needs to be repeated, deepened, harmonized with Ministry of Finance operations, further computerized and expanded to the counties. Only key ministries have fully complied in the first cycle.

## **MINISTRY OF LANDS, MINES, AND ENERGY**

The Ministry of Lands, Mines and Energy suffered grievously during the years of conflict. Its written records were either destroyed or in disarray. The two main issues were lack of a sound licensing and registry of claims (cadastre) and confusion over the legal basis for both existing and new concessions. Although the Mining Law had been rewritten in 2000 and promulgated in 2005, no regulations had been written to apply it. The new Public Procurement Act, which went into effect in January 2006, stated that it superseded the Mining Law. It called for public tendering of all concessions, including mining exploration concessions, with the Public Procurement and Concessions Commission in charge of the process. This is in conflict with best international practice in mining as well as the then new Liberian mining law. While concessions can and should be tendered for known/documented deposits, tendering for green-field areas normally follows a very different procedure better designed to stimulate exploration and investment. Qualified companies and individuals interested in exploring a large area about which little is known normally request exploration/prospecting licenses on a first come/first served basis.

IBI legal, regulatory and fiscal policy experts served as subject-matter experts reviewing agreements signed under the NTGL in 2003 through 2005. These included seven mineral development (production) agreements and 40 mining exploration agreements. Of the seven production agreements, two were recommended for renegotiation and five for annulment. The Arcelor Mittal Steel concession, involving USD1.1 billion in new investment, has been renegotiated quite successfully.

IBI also fielded a short term consultant on oil and gas concessions, which come under the autonomous NOCAL (National Oil Company of Liberia), which is nominally under the MLME, but functions as an autonomous company. The consultant report indicated that the sector suffered from the same legal conflicts as mining.<sup>2</sup> Records were poor or nonexistent. A new petroleum law exists, but individual production-sharing concession agreements were being written as stand-alone laws, in effect superseding the petroleum law. The 2006 Procurement Law added to the confusion, stating that it also superseded the petroleum law. Moreover, exploration concessions were based on two different seismic surveys, one following perimeters parallel to the coast and another laid out perpendicular to the coast. The IBI petroleum expert recommended that an independent seismic specialist reconcile the two sets of seismic data so a rational plan of progressive concession auctions could be conducted. He considered all of the existing concession agreements invalid. Government rejected these conclusions and NOCAL discontinued working with GEMAP. It has proceeded with at least some of the existing concessions.

Once the concessions review process was underway LIBAMM assisted the Ministry to establish a sound policy, legal and licensing framework. IBI is assisting the MLME to draft, vet and adopt a national mineral policy, to revise the existing mining law, and to develop a modern digital cadastre, published on the internet. These systems will increase efficiency in the granting of mineral rights and improve transparency and public access to information. We are also assisting the Liberian Government to renegotiate disadvantageous mining concession agreements.

LIBAMM, through subcontractor SRK East Africa, is designing a modern digital cadastre, an ultimate vehicle for maximum transparency in the granting of mineral rights. The draft design was presented to stakeholder in June and completed in July 2007. After modifications based on comments by the MLME and IBI, it was presented to a second stakeholder workshop in December 2007. Design should be finalized shortly.

IBI's Mining Concessions Expert initiated discussions with the MLME to join the International Extractive Industries Transparency Initiative. Under this global industry-wide initiative, countries and extractive companies agree that companies will declare publicly all payments that they make to the country. It is considered one of the leading means of controlling corruption in the granting and administration of mining concessions. It takes a sixteen-step process to qualify. The Ministry of Finance is now piloting the process of accession for Liberia.

Here is a summary of the MLME's key financial results with LIBAMM assistance:

- The recent renegotiation of the Mittal Steel mining concession instituted tax rates and auditing practices more in line with industry standards. It brings many direct benefits to

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<sup>2</sup> NB IBI does not have copies of its consultants' reviews of individual concessions as the proceedings were confidential. The summary here is based on oral reports, some of which are second-hand and may be inaccurate. The information should be treated as sensitive.

the Liberian people. The new agreement increases government's equity in the mine to 30 percent (in return for the mining license, use-rights to the rail and port, and assets from previous mining), provides that the mining company make a USD15 million one-time payment deposited transparently into the treasury, contribute USD3 million annually for local community development, renovate a vocational training school, and establish an annual scholarship fund to strengthen the local Mining and Geology Institute. To ensure that Government has the opportunity to realize these benefits, IBI's expert insisted on independent and government audits, closed transfer-pricing loopholes, proposed financial penalties for undercapitalization, and closed loopholes that would have made environmental provisions unenforceable, pointing out that the original plan used 20-year-old data and lacked a consultative process with affected communities. IBI also recommended that government keep possession of the port and railway so that other economic activities can develop along the same growth corridor.

- Next IBI contributed to and participated in Liberia's first-ever iron ore concession tenders. IBI funded the tender ads in appropriate international mining journals. Bids are in and being reviewed for the Western Cluster iron deposits (an estimated USD2 billion investment) and the Bong mine (est. USD1.5 billion investment) is in the process of short-listing. Tendering followed international tender practices and procedures as prescribed in the Public Procurement Act. The MLME is just one of seven official committee members and PPCC is in charge of the process. Although in international best practice it is unusual to give so little weight to the ministry with technical expertise, the standard tender practices give important confidence building signals to international investors, reducing opportunities for arbitrary discretion, corruption, and opaque practices.
- Other projects are moving ahead now that an atmosphere of confidence is developing. BHP Billiton is exploring for iron ore in four areas and expects to move into mine development in 2008. Mano River Resources expects to start production at the New Liberty Gold Mine at Bea Mountain in 2008, with an estimated investment of USD60 million. It is also exploring for diamonds and other minerals.
- The web-based digital cadastre design is nearly complete. This is a critical element in the successful management of both formal and artisanal mining rights.
- The MLME has brought the Liberian Treasury USD1.9 million in license fees and surface rents in 2007. It expects to issue about 44 new licenses in 2008, yielding additional annual exploration revenue of USD1.2 million.
- LIBAMM was also able to catalyze a stockpile clearance plan, allowing diamond exports to resume in September 2007 after a four-year international ban. MLME officials had completed all necessary conditions to house, operate and fund a mine-to-market diamond tracking system in compliance with the Kimberly Process. The final missing ingredient was an independent diamond evaluator. The government had budgeted for one, but had

not completed recruitment by the time all other measures were in place. IBI was able to fill the gap by hiring two short-term diamond evaluators, both thoroughly experienced in the international trade in diamonds. One came briefly to work out a plan with Liberian and Kimberley authorities to clear stocks accumulated during the sanctions and to examine the adequacy of the banking system for handling funds for diamond purchases. The other continued from September through December 2007, evaluating shipments and providing in-service training to the Liberian counterpart staff. Liberian diamonds can now be freely traded worldwide. The reemergence of Liberian diamonds on world markets has the potential to bring in annual government revenue of USD10 million. That figure could grow rapidly if prime Kimberlitic deposits are found and industrial mining begins.

Mining has thus already made a significant contribution to the government budget. To put it in perspective, that budget is growing from 80 million in 2005 to approximately USD300 million in 2008. That growth is expected to accelerate over the next five years as new mines come on line.

Ironically, that rapid acceleration is likely to increase inflation and a series of other symptoms of rapid growth in wealth, known by economists as “Dutch disease.” The arrival of numerous donor-funded staff and potential investors has already touched off inflationary tendencies. IBI will work with the Government of Liberia to anticipate these side effects and adopt best practices in development strategy, both macro-economic and domestic.

## **GENERAL SERVICES AGENCY**

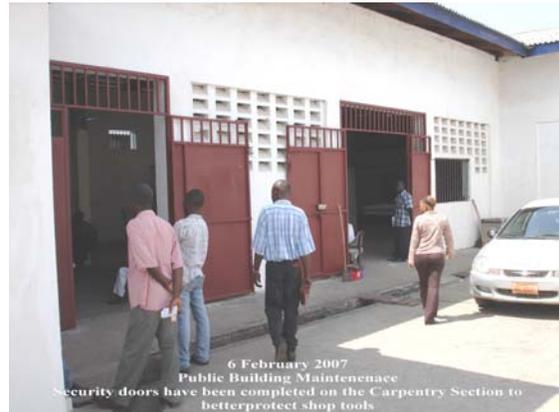
Before LIBAMM began, Liberia had already received assistance for procurement reform and had enacted a new decentralized procurement law, drafted with World Bank assistance. Implementation of the new law, however, has been confused and confusing. The 70-some newly authorized procurement entities had no experience in procurement, inventory, maintenance or other aspects of asset management.

LIBAMM’s long-term advisor to the GSA has been closely working with his counterparts and the GSA staff to guide the change from centralized to decentralized procurement and help GSA redefine itself. The institutional assessment with which IBI initiated the program provided baseline data and clear guidelines for the 18-month program of procurement reform. In addition, it contained recommendations for the institutional restructuring of the GSA, which must move from its old monopoly on procurement to a new role giving policy and technical assistance in procurement to other government units, along with developing asset management systems.

Here is a summary of key achievements:

- **Change Management:** When IBI’s long-term change management expert arrived GSA was in a quandary, unsure of its mandate and unable to operate for lack of facilities, tools,

skills and job descriptions. Some of the initial work involved simply making its premises secure and usable, as can be seen in the before and after pictures below.



Then came business process reengineering. The LIBAMM expert helped GSA map 61 key processes, identifying weaknesses, inefficiencies, and bottlenecks. This served as a basis for reorganization of personnel into functional units. The next step was to instill in GSA a sense of performing on a business basis, offering asset management and maintenance services to government agencies on a competitive basis. This approach has become an important model which can be emulated by other government organizations and agencies to identify inefficiencies, clarify missions and streamline the delivery of goods and services where they are needed.

- **GSA Business Plan:** Working with GSA senior leadership and staff in each core area, the change management expert developed a professional business plan, together with specifications for the most appropriate equipment and supplies for each activity. The 241 pages in volume one and 37 oversize illustrated plates in volume two relate GSA's new mandate to overall administration goals, notably the pillars and the poverty reduction strategy program. Then they lay out in detail the procedures, equipment, training and other resources GSA will require to implement the program. The strategy, specifications and their justifications have attracted attention throughout government. Many offices and ministries are using or would like to use them to upgrade their own approach. The core areas set out by GSA are

- Vehicle fleet maintenance
- Repairs and maintenance of government buildings and property, including lease management
- Management of government real and landed properties
- Asset and maintenance database management
- Bulk procurement and development of specifications/standards for selected commodities
- Resource support for the Office of the President

- **Payroll.** GSA payroll was reduced from 590 to 375, initially by the simple expedient of keeping daily attendance records. The elimination of ghost workers that began there continued with the payroll reconciliation process centralized in the Bureau of the Budget.

## Innovative Change Management

*The IBI approach to change management has caught the eye of senior leaders in the Liberian government, who are requesting its extension to other ministries. It is systematic, rapid and far reaching. It is documented in graphics and photos that allow managers to focus on goals, to visualize and then institute fundamental improvements in organizational structures and processes.*

*The next step, adopting a client-oriented approach to service delivery and putting it into a business plan, is similarly appealing to Liberian officials. The GSA Business Plan is circulating among ministries and even in the private sector. It explains what technologies are most adapted to Liberian needs and why. Most Liberians have lacked access to electricity, computers, and hence the Internet and the outside world for many years. To them this is a gold mine allowing them to sift through the flood of incoherent information on the Internet, know what equipment and supplies are available, what each product can do, how they can be secured, and what each total package costs.*

*The principle of LIBAMM serving the needs of diverse government clients has been established with the Internal Audit Training. GSA organized a training program in internal audit best practices for LIBAMM clients. When the Ministry of Finance asked to have its personnel participate, LIBAMM gladly accommodated them. Future training may expand to successive key ministries.*

- **Inventory, maintenance and bulk procurement.** The newly decentralized procurement system resulted in ministries and agencies making retail purchases and tendering as they liked, each agency buying different goods and services from different sources. Few kept inventory or maintenance records. GSA attempted to collect inventory records from ministries, but despite the fact that employees were seen driving new vehicles, the ministries denied having acquired them. When questioned they would reply that the vehicle had been donated. Apparently some thought that this meant it was “off-inventory.” Central inventory classification and tracking comparative performance and operating costs became impossible. Ministries acquired vehicles for which no spare parts were available. Fuel for generators and vehicles was distributed through coupons for use in gas stations. The coupons quickly became a secondary currency around town. Computers,

software and web-site hosting were purchased without coordinated guidance and sometimes proved incompatible and/or impossible to maintain and upgrade locally. There was pressure to approve purchases of used vehicles, a practice that had

harbored major fraud in the past. GSA developed a fraud control program focused on the problem areas.

- **Vehicles, generators and fuel:** The LIBAMM GSA expert has helped GSA management focus on the three main areas of abuse that have emerged: vehicles, generators and fuel. In 2007 GSA/LIBAMM mobilized two short-term experts, one on vehicle fleet management and the other on generators. Each assessed current practice, inventoried government-owned vehicles/generators, projected fuel consumption, maintenance and spare parts needs. They developed and distributed throughout the government maintenance schedules and activity logs. Together with recommendations for the development of bulk purchase specifications, these pave the way for rational budgeting and management of two major categories of government assets.

The generator specialist has now moved into implementation of improved practices. He and his colleagues at GSA are inventorying and retraining generator maintenance staff throughout the government.

Vehicle maintenance is currently being outsourced to the private sector with no competitive arrangements. GSA has determined that it could more cost-effectively maintain certain categories of bulk-purchased vehicles in-house. Unfortunately its garage is currently equipped only for the simplest maintenance (tire repair and oil changes). Funding for garage equipment is expected in April 2008. At that time the vehicle maintenance staff will undergo triage for further training and new hires are expected from among the recent graduates of the university vocational program. The training will be done in cooperation with the better private sector garages in town, several of which have agreed to cooperate with GSA on this.

Analysis of fuel consumption indicated that it was several million dollars per year in excess of what government-owned vehicles and generators could reasonably have consumed. This analysis led to a proposal for centralized purchasing and distribution of fuel. As the LIBAMM consultant had established and run such a system in other post-conflict situations, he was able to provide a plan quite rapidly. He has been asked to implement it and will make that a priority, should the LIBAMM contract be extended.

- **GSA Capacity building:** IBI's standard approach is to incorporate capacity building into every activity. From project inception, we make it a practice to partner with local firms or consultants and generally aim for a training of trainers approach when bringing in international trainers. The GSA has completed a comprehensive local "*in service*" training and capacity building plan which emphasizes the accomplishment of capacity building initiatives through partnerships between the GSA and the Liberian private sector. The GSA feels that, through this approach, demand will be placed on the private sector thus encouraging private sector expansion and increasing employment opportunities. Accordingly, the GSA developed a comprehensive training plan

incorporating capacity building in core GSA components. It followed the principle that training must, unless the resource is not available locally, be provided by Liberian-based private sector organizations. The following organizations were assessed and will be partners in future training:

- For management and technical training
  - i. Liberian Institute for Public Administration
  - ii. Civil Service Agency
  - iii. Dokai Vocational Training Institute
- For Management, Audit and Internal Controls
  - i. University of Liberia
  - ii. Panel, Kerr and Foster
  - iii. Firestone Tire and Rubber Company
- For vehicle maintenance
  - i. Reelin Company
  - ii. Africa Motors
  - iii. No-Lemon
  - iv. Prestige Motors

LIBAMM's GSA expert also initiated steps towards a long-term capacity-building partnership. During the third quarter 2007, the GSA initiated the creation of a bilateral agreement between the GSA and the State of Maryland Department of General Services to develop a technical exchange program. It is anticipated that the exchange program framework will be finalized during the first quarter of 2008 and professional exchanges can then proceed to enrich the capacity-building effort.

- **Management Policy Development** The IBI GSA change management expert has drafted numerous policy documents concerning government asset acquisition, management, maintenance and disposal, generally in response to requests from the President's Office to the Director General of GSA. In December 2007, for example, he prepared policy memoranda on
  - bulk fuel purchasing to generate substantial savings and reduce fraud
  - vehicle fleet maintenance, and
  - purchase of used vehicles (a very strict set of regulations for their acquisition, to preclude an old practice of sweetheart deals involving radical overvaluation and reduce the purchase of stolen, flawed/dumped vehicles and those for which no maintenance capability exists in country)
- He is currently in the process of defining service standards, evaluating performance, pursuing continuous improvement initiatives and developing key GOL policy positions for
  - Standardizing fixed asset procurement
  - National Asset Acquisition, Maintenance and Management Policy, and
  - Preventative Maintenance

- **Information Technology:** GSA has begun negotiations to install an excellent inventory and maintenance management software (Maintstar, from a California-based company). LIBAMM worked with GSA to incorporate effective use of that software in a detailed Business Plan. GSA's asset management plan includes making that software operational for vehicle-fleet and building maintenance, tracking inventory through acquisition, maintenance and disposal, cradle to grave.

The GoL (the President's Office) has requested that GSA take the lead in setting standards and tendering bulk purchase agreements for certain key procurement areas:

- Vehicle fleet
- Fuel
- Information technology
- Office equipment

To publish a catalog of commonly used items and track usage, the best tool is a web site. The GSA launched its web site (currently under construction) at [www.gsa.gov.lr](http://www.gsa.gov.lr). It plans to engage a Liberian based web site developer and add GSA catalog content to the site during the first quarter of 2008. It should in future be integrated into a wider e-government platform that will require expatriate assistance to initiate. Ideally a web portal solution will allow expanded access to the Maintstar asset-management software and other expensive e-government packages at minimal cost. For example, a portal solution would allow the Ministry of Public Works and other offices to use Maintstar for tracking their projects and equipment.

## ISSUES AND SOLUTIONS

### TECHNICAL ISSUES

Generally the performance of our technical personnel and counterpart institutions has been extraordinarily successful, both broader and deeper than could have been anticipated. The Budget and GSA offices have completed in one year what could easily have taken three, in each case with state-of-the-art approaches that other branches of government are now asking for help in adopting. The MLME got a good start at rebuilding its institutional capacity. It began bringing in billions of dollars in mining investment on a sound contractual basis, favorable to both government and local communities. These agreements are still being negotiated ad hoc, however, until the new mining law and standard MDA are agreed, harmonized with other laws, supplemented by implementing regulations, and enforced with the help of inspectors in field offices (which do not yet exist).

LIBAMM helped relaunch the diamond trade, opening up legal income opportunities for an estimated 70,000 to 100,000 rural residents. It is important, however, to follow up rapidly with an administrative and technical presence in the mining areas—both industrial and artisanal.

The only technical issue on which LIBAMM experts and government have failed to come to any agreement was the oil and gas sector. NOCAL rejected the recommendations of our short-term consultant for renegotiation of concessions, reconciliation of the two seismic surveys, and restructuring of concession tendering. The issue appears to have been dropped without comment from the GEMAP technical team.

The only contract deliverable which is significantly delayed is the mining cadastre. IBI had put forth an ambitious plan to have it operational in the first year because it normally takes a few years of successful monitored implementation to establish rigorous management discipline. The cadastre activity was delayed initially because few people realized that the new procurement law was not a sound basis for developing green field mining. The GEMAP TT and even USAID did not realize how fundamental a sound cadastre is to concession/license management in the mining sector. So there were questions as to its necessity. Once those were resolved, there were questions about how green field concessioning on a first-come, first served basis could be reconciled with the Public Procurement Act, which required all contracts and concessions to be publicly tendered. Tendering and international subcontract for cadastre design and implementation also took time.

Once the competitive tender was awarded, work on the design began promptly and a draft was submitted in timely fashion. It was incomplete, however, and the Ministry, whose senior personnel were often away on travel, took several months to provide comments on what needed completing. In December LIBAMM organized a stakeholder workshop on the draft cadastre design and the draft model minerals agreement. That seems to have resolved remaining communications issues and produced decisions on office location, cadastre administrative organization, and several other pending matters. We expect the cadastre design to be completed and accepted before the end of the current contract on April 20, 2008. The implementation phase has not yet been contracted. If all clients are satisfied with the design, the most efficient step would be to contract with SRK-EA again for the implementation phase. There are a number of contentious interests involved, however, so MLME and LIBAMM may discuss retendering implementation.

## **MANAGEMENT AND REPORTING**

LIBAMM and its three long term experts have very complex management and reporting arrangements. The main issues involve reporting, recruitment of international personnel, and subcontracting. The LIBAMM experts are employed by IBI, which is contracted by USAID to implement terms of reference in the Task Order contract. Following standard USAID practice and its Task Order contract, IBI designated one of the experts, the Bureau of the Budget Adviser as Chief of Party. The TOCOP normally reports to the Task Order Contract Technical Officer (TOCTO), the Task Order Contract Officer (TOCO) and the IBI home office (Project Manager, Project Supervisor and company President).

Following common USAID practice IBI organized an initial team-building workshop at which counterparts and experts agreed on overall two-year goals and a detailed year 1 work plan. LIBAMM experts and the TOCOP file monthly reports with GEMAP, USAID and IBI. IBI files monthly reports to the Macro II IQC TOCTO, who forwards them to the Macro II CO. By the beginning of year II, however, GEMAP had instituted its own work plan and reporting arrangements. IBI was not allowed to organize a second year work-planning/team building workshop with counterparts.

Some in USAID and the Embassy are more familiar with the administrative model where each adviser is a lone entity, reporting directly to the TOCTO and there is no TOCOP. This has complicated communications, which sometimes pass through USAID's standard channels and sometimes outside.

The unique donor/government coordinating structure of GEMAP further complicates the picture. On the one hand it provides for unusually good understanding among development partners of progress and issues in each area. This has facilitated, for example, cooperation between USAID-funded LIBAMM and the Ministry of Finance, where assistance is funded by the World Bank. LIBAMM's budget assistance stimulated payroll harmonization and improved reporting procedures throughout the government. Once confidence between the BoB and MoF began to build, LIBAMM placed a short-term expert in the MoF, at its request, to harmonize across all government agencies the definitions of contents for accounting categories in the chart of accounts. Also when the MoF learned that LIBAMM was organizing internal audit training for the institutions it serves, it requested to participate. Its trainees were welcomed by the LIBAMM trainer. We expect this cooperation to deepen as the project continues. We anticipate fielding a short-term consultant to explore closer integration of the Bureau of the Budget and the Ministry of Finance.

The dual administrative and reporting systems have also caused confusion and increased the work load, however. Initially IBI used the terms of reference approved by GEMAP to field all three internationally recruited experts. These TOR were more limited in scope than the TOR in the IBI task order contract. The GEMAP TOR focused closely on cash-, concession- and asset-management rather than institutional development. The experts reported monthly to the GEMAP technical team.

About a year into the LIBAMM project, during a retreat in July 2007, GEMAP agreed on a different management system under which the GEMAP technical team approves terms of reference for each expert, and the counterpart agency selects that expert from a short list provided by the respective donor organization. Each expert now submits to GEMAP quarterly work plans and monthly and quarterly reports. IBI now submits monthly reports to the Macro II CTO based on those reports.

Changes in personnel added to the complexity. On the IBI side, the original LIBAMM TOCOP had a disabling health crisis six weeks into the project and had to be replaced. IBI promptly fielded a temporary replacement for the interim and a permanent replacement in early October 2006.

At the same time USAID amended the LIBAMM contract to add a long-term expert in GSA and two highly qualified short-term local personnel for the concessions review process. Due to uncertainty over the future of GSA, the original contract had required a short-term study of what should be done with that agency. That study developed terms of reference for a long-term change management specialist. IBI immediately fielded that specialist in early October 2006.

IBI's Mining Concessions Expert's father died in December 2006, and he had to return home to probate the father's estate through a long court procedure. IBI replaced him with another MCE for the remaining one-year term.

That midterm MLME recruitment process was problematic. IBI submitted what we considered an excellent candidate in early December, but it did not go forward because it did not conform to the new GEMAP procedures. IBI was unaware of the USG/GEMAP agreement that apparently was decided at the retreat, whereby expert recruiting was to be done by GEMAP or the ministries/agencies to which the experts are assigned. In the confusion over whether FAR/AIDAR recruitment procedures or the new GEMAP ones were to be used, recruitment was ultimately delayed until March. Fortunately IBI was able to bring back the original expert for most of the interim period. In January IBI complied with the TOCTO's requirement that it submit a short list of at least three candidates, and the Ministry would have the final choice. There was, at the time, to our knowledge, no regional contract officer from whom to seek clarification about which set of procedures should be used for expert recruitment. The guidance of the permanent RCO who arrived in Accra later in 2007 was that IBI should not submit multiple candidates for final selection by counterpart agencies. This matter remains to be resolved with GEMAP.

On the USAID side there were also changes in personnel. The GEMAP technical team was initially chaired by the Economics Officer at the Embassy, who shared technical direction with the USAID TOCTO. A new TOCTO arrived in September 2006, six months after project start-up and took over chairing the TT. Then the chairmanship passed back to a new Economics Officer. Both the Economics Officer and the TOCTO debrief the LIBAMM team weekly.

There was no regional contract officer in Accra at project inception and for most of the first year, so we worked with a series of contract specialists and temporary regional contract personnel. A permanent RCO eventually arrived in Accra. We met him in Monrovia in September 2007 for the first time. Uncertain access to a contract officer made it difficult to do anything that required TOCO approval (particularly subcontracts). Contract specialists efficiently handled the contract modification in June that added the GSA expert and two local support staff for the Contracts and

Concessions Review Commission. The approval of appointments and rates also went smoothly, but activities requiring a subcontract repeatedly stalled out. This may have been the reason that the proposed engagement of The Mitchell Group (TMG) to facilitate a LIBAMM Year II team-building/work plan workshop never got approved. We had proposed that TMG also do training needs assessments in each counterpart organization as part of the second year GEMAP focus on capacity building. We believe that collaborative work plan development through a formal team-building exercise would have helped keep all partners focused on shared goals. We also believe that the training needs assessments would have produced a much more coherent approach to training and allowed us to budget more effectively for it.

A long-term TOCO for Monrovia arrived in December 2007. We look forward to working with the TOCTO, TOCO and Econ Officer, now that all are in the same place, to harmonize the sometimes inconsistent management and reporting requirements of the current situation.

A second management issue is that the TOCOP management responsibilities and more than full time technical advisory work are too demanding for any one person. All three advisors work more than six-day weeks and often 12- to 13-hour days. We believe that LIBAMM needs a long-term resident expatriate project manager experienced in FAR and AIDAR administrative requirements. That person also needs to be a good technical writer. He/she must have the time and ability to assemble the expert's drafts into monthly, quarterly and annual reports, which are contract deliverables, to contribute to the various web sites covering GEMAP, and to improve the communications within the team and among LIBAMM and its development partners. This present annual report is being drafted in the home office, 20 months into the project, because it was essentially impossible for the TOCOP to produce semi-annual and annual reports on top of advisory obligations, monthly and quarterly reports mandated by GEMAP (following a GEMAP format). When the annual report was due, the TOCOP was fully engaged training budget units from each ministry to prepare and present budgets in the new format. USAID denied our request to send someone from the home office to prepare the annual report at the time it was due.

We note also that the Budget adviser is already doing double duty at the Budget Bureau. At the time the LIBAMM Budget Expert was hired, a long-term resident Treasury expert was in Monrovia and expected to be responsible for conducting the training program. The expert left shortly after our current TOCOP arrived and was not replaced. Our TOCOP has trained BOB staff at every level, as well as budget staff in funded ministries and agencies. She had to assume essentially two full-time jobs, plus TOCOP responsibilities for managing local staff, overseeing vehicles, drivers, building, computers/office equipment, internet access, telephone service, generator, fuel and water supply maintenance.

We requested and received oral permission to recruit an expatriate resident project manager at a meeting with the TOCTO, CO, Contract Specialist and Acting Mission Director in September 2007. After the meeting the TOCOP was told to recruit a local hire instead. No qualified local hire was found. We sent our local project coordinator/office manager to a three-day AIDAR training program, but this is far from sufficient to produce effective replacement of the key

management duties falling to the TOCOP. As we anticipate that both our counterparts and USAID may want to extend this contract, it is essential to add an expatriate resident manager experienced in FAR and AIDAR requirements.

Delayed payment of invoices was a problem from September 2006 through March 2007. Invoices for September through December 2006 went unpaid until early 2007. Lesser delays continued to occur for several months, so that the company generally needed to mobilize three months' expenses in operating funds. This problem is now completely resolved following two changes: (1) an audit, which IBI passed with praise for our systems and no recommendations for changes in internal controls, and (2) the transfer of payment authority from Accra to Monrovia in September 2007.

Security has been another management concern. Despite having a new, well-secured building, cautious experienced overseas personnel, and the top security service in town, the project has experienced half a dozen incidents of break-ins, thefts and robbery. We work closely with our staff, the Embassy and the security service to close off opportunities for such incidents. The recent murder of an expatriate negotiator in the rubber sector, although not related directly to LIBAMM, was felt as a threat by many expatriates in Monrovia.

A final concern is that staff morale. The work is extremely demanding for both international and local staff. There are few outlets in Monrovia for rest and relaxation. Working conditions are difficult in Monrovia, with post-conflict tensions in the background, evening entertainment outlets extremely limited, twelve months a year of heat and eight months of rain. The one area where we would hope some improvement is possible is staff access to exercise facilities. IBI has supplied an exercise bicycle (for which USAID denied funding), but we lack appropriate space for its use. In the absence of private sector leisure outlets in Monrovia, it would be helpful if the Embassy allowed project personnel to use the Embassy pool and fitness center occasionally. As Monrovia was originally an "employee only" and is still an "adults only" post, most expats are still working flat out like our team. That lifestyle is not optimally productive over the long term.

## **COST CONTROL**

Cost control has been a mantra in IBI's approach to project management. We have saved approximately USD100,000 in hotel bills through rapid and creative development of the premises we leased. We house all experts and the offices in a single building at a reasonable rate. We were able to move them into permanent housing within a few weeks, thus saving thousands of dollars in temporary quarters allowances and per diems. We refurbished an efficiency unit out over the generator room, making it into a guest quarters for TDY personnel, saving USD4800/mo in hotel costs. The TOCOP has also hosted TDY personnel in her flat, saving thousands more in hotel costs. IBI has now also negotiated a discount rate at the nearest hotel, where we house overflow TDY personnel and some workshops.

We are similarly prudent in vehicle management. We bought the most viable local vehicles (Toyotas). While they were not cheap, we have realized substantial savings on maintenance costs, as well as through reduced leasing and car pool management. Vehicle use, fuel consumption and maintenance are carefully logged. Experts pay for personal use of the vehicles at the standard USAID/Monrovia rate. Multiple short- and long-term personnel share the same three vehicles.

## **NEXT STEPS**

Future activities have to be considered in two parts: (1) those that can be completed in the remaining months of the contract, essentially the first quarter of 2008, and (2) those desired by counterparts and recommended by the experts for a potential contract extension period.

### **REMAINDER OF CURRENT CONTRACT, 2008--Q1**

LIBAMM experts and counterparts have submitted their proposed quarterly work plans to the GEMAP Technical Team.

The BoB expert will assist all government agencies to prepare budgets by March in anticipation of the new fiscal year beginning July 1. The Bureau of the Budget will be assisting the 40 funded ministries and agencies to prepare more accurate program-based budgets this year, and to project needs over a three year period. It will work with key ministries (Education, Health and ?) to focus on concrete, measurable results. It will build the capacity of budget units in each agency to review past performance, define future needs, cost them, and tie them to results.

The LIBAMM BoB expert also anticipates fielding a short-term technical expert to review means of merging the operations of the Bureau of the Budget and the Ministry of Finance. This work will start during the first quarter of 2008, but likely extend and expand during the year.

The MLME expert is currently participating in the tendering process for the Western Cluster and Bong Mines. He will facilitate the participation of Liberia in the major annual meeting of African ministries of mining and the mining industry, the Ndaba in Cape Town, South Africa, February 4-7. This will mark Liberia's return to the mining arena and is likely to attract substantial new attention.

The MLME expert will also facilitate Liberia's participation in a West Africa regional workshop to harmonize policy and the regulatory framework for mining, which is scheduled for February 11-13 in Conakry, Guinea. The workshop is a critical step in harmonizing policies across national borders to minimize smuggling and ensure that common standards are observed.

As the cadastre design is finalized, the MLME expert will guide the process of contracting for its implementation, beginning in the first quarter of 2008.

At the GSA, the first quarter's focus is on

- Initiating implementation of the centralized fuel purchasing and distribution plan
- Strategic planning for implementing the business plan
- Identifying legal and regulatory issues that need resolving
- Continuing the generator inventory, maintenance and training, and
- Initiating the Maryland State exchange program.

## **LONGER TERM**

LIBAMM experts have been doing strategic planning with their counterparts in anticipation of a potential contract extension. It is becoming clear that Liberia is entering a new phase of its post-conflict reconstruction. It has come a long way. What was needed two years ago and what is appropriate now are substantially different. The three themes that each counterpart agency, independently, identified as top priority going forward are

- Building staff capacity, repeating, broadening and deepening new procedures so that they function smoothly and consistently
- Computerizing functions and training all staff on new computerized functions
- Extending and expanding operations, into new areas within the government and into the interior counties

What started as three distinct resident advisers has become, over the past year, a more coherent approach to change management and economic governance. The BoB has helped GSA and MLME refocus on their goals, clarify their revenue generating and management roles in the government, and define their budget priorities. Computerizing functions and expanding services into the interior will require a significantly larger staff. A longer time-frame should also be anticipated. These are long-term processes that LIBAMM is doing its best to implement through a short-term contract.

During an extension period the Bureau of the Budget and the Ministry of Finance will be exploring, analyzing and then implementing the merger of their operations. This involves process reengineering, job redefinitions, reconfiguring work space, computerization and harmonization of already computerized functions, linking with central bank functions, and reworking relationships of both institutions with the other organs of government. Fortunately the initial analysis is scheduled to begin during the first quarter of 2008, so that by the time an extension program is designed the needs should be clearer.

The GSA expertise in process reengineering and business plan development has caught the eye of the presidency and other key ministries. It may be appropriate to move the change management expert out of GSA, turning over implementation there to a hands-on capacity builder, and expand process reengineering to a group of key ministries, e.g. Public Works, MLME, and Education. The asset management software that GSA is installing for its own operations can be configured as a portal, allowing other organs of government to use it at a reduced cost. The presidency appears to be looking to GSA to take the lead also in defining information technology policies and standards, as well as bulk purchasing specifications for certain commonly purchased items. Bulk purchasing and distributing fuel is another major development that should be implemented during an extension. Also GSA has to purchase and begin using the tools and equipment it needs to service government vehicles and buildings.

As key institutions expand into the interior, it will be much more productive if they have a rational geographic plan for the expansion. IBI has a regional planning program that has, in countries and regions throughout the world, helped governments and communities identify their resources and plan cooperatively how to develop them. In areas where major investment is likely, for example, these can become growth poles around which other value chains can be developed. A major mine, for example, needs agricultural production, generates demand for construction, transportation, water resources, fisheries, and requires designated conservation areas. IBI's regional planning can analyze watersheds, mineral and forestry resources throughout the country, defining potential growth poles and showing how these can be developed. This will help Public Works, for example, prioritize its road-building and other infrastructure programs. In Madagascar, a similar exercise moved forward a USD500 million ilmenite mine project that had languished for 20 years, identifying a total of USD750 million in integrated investments. The multiple uses raised the rate of return on road and port infrastructure to very high levels. Both donors and communities mobilized around the newly clarified and shared development goals. Within three years the ilmenite mine was under construction and the cumulative regional development investment plans had grown to USD3 billion.

For the MLME the next few years will see accelerating investment in industrial mining and expansion of legal artisanal mining. One can anticipate conflicts between the two, as well as between each type of mining and other land uses (agriculture, forestry, conservation, residential areas). Legal reform, implementation of the cadastre, and fielding of a competent administration in mining areas are priorities for the next two years. Best practice in mining administration is to put the main issues into law and regulations, not into individually negotiated mineral development agreements. The Ministry of Finance is taking the lead on mining taxation. The World Bank will take the lead on revising the Public Procurement Act where it conflicts with the Mining Law. LIBAMM has the lead on revision of the mining law to provide for implementation of the new cadastre and simplified licensing system. The World Bank would provide inputs to that legal reform particularly on the community development components of industrial mining. Regulations are needed to make both the existing and revised mining law effective. It typically takes more than a year to draft implementing regulations and another year to have them vetted and promulgated.

The MLME has almost no capacity to monitor and administer mining in the interior at present. This is a risky lacuna. There are two Kimberley process monitors assigned to each of 11 interior stations near artisanal mining areas. The MLME needs to convert these into zonal mining offices capable of providing technical, legal, safety and environmental training to artisanal miners, inspecting both artisanal and industrial mines, registering claims, and monitoring mineral trade.

The MLME also requests urgent assistance with land title administration. Its registries are in disarray and rapid growth is resulting in escalating conflicts. LIBAMM is designing the mining cadastre to be compatible with forestry resource, conservation, and ultimately land titling. Putting property registries on a sound basis is a long-term process. It is appropriate to begin soon.