GOVERNANCE AND ECONOMIC MANAGEMENT ASSISTANCE PROGRAM

The National Transitional Government of Liberia (NTGL) and its international partners, including the United Nations (UN), the European Union (EU), the Economic Community of West African States (ECOWAS), the African Union (AU) the United States (US), the International Monetary Fund (IMF) and the World Bank (WB), share serious concerns regarding Liberia’s economic governance.

The NTGL and its partners recognize that the ECOWAS brokered Accra Comprehensive Peace Agreement (ACPA), of 18 August 2003, is a document based on compromise, designed to bring peace to Liberia and founded on the principle of including all Liberian stakeholders in the transitional government. The ACPA also assumes good faith by all parties, despite their various political agendas. The NTGL and its partners recognize that this approach has caused some difficulties for the execution of the NTGL’s mandate. Moreover, the NTGL has had to work in an environment of institutions weakened and made dysfunctional by years of civil conflict and neglect. whilst this approach has ensured peace and stability, the NTGL and its partners have concluded that economic and fiscal governance has been insufficient to put Liberia’s economy firmly on a path of recovery, poverty relief and reduction of external debt.

The NTGL and its partners also recognize that the transitional government’s record in certain areas has shown improvement since its installation. Notably, it has established a framework to centralize revenues, which has permitted it to pay civil servant salaries on a regular basis. In addition, it has provided financial support to the National Elections Commission (NEC) and the program of disarmament, demobilization, rehabilitation and reintegration (DDRR). It has also authorized audits of the Central Bank of Liberia (CBL) and five state-owned enterprises. Furthermore, it has welcomed an investigation by ECOWAS into charges of corruption.

Nevertheless, after more than eighteen months of intensive technical and policy advice and non budgetary financial support aimed at strengthening capacity, and following a strong initial start to address these areas, there is still widespread weak fiscal management, which has hampered efforts to check systemic corruption. Consequently, there is a danger that the targets of the Results-Focused Transition Framework (RFTF) will not be met, which threatens to undermine donor support for an Interim Poverty Reduction Strategy Paper (I-PRSP).

Following a series of meetings between the NTGL and its international partners beginning in May 2005, the NTGL and its international partners have concluded that there should be a more robust approach to economic governance in Liberia, with immediate and firm remedial efforts. This conclusion is supported by the results of the EC-financed systems and financial audits of the CBL and five state-owned enterprises (SOEs) (the Bureau of Maritime Affairs (BMA), National Port Authority (NPA), Roberts International Airport (RIA), Liberia Petroleum Refining Company (LPRC) and Forestry Development Authority (FDA)) and the IMF Article IV consultations.
The NTGL and its partners recognize that GEMAP will improve financial and fiscal administration, transparency and accountability and will support the scrupulous implementation of the ACPA (particularly Articles XVI, XVII and XXXIII.2), the application of UN Security Council Resolution 1509 and ensure both the success of the transitional process, and the ability of a newly elected government to serve the interests of the people of Liberia.

The NTGL and its partners welcome the reports and findings of the Auditor General of Liberia on foreign travels, the results of the audits of the CBL and five SOEs financed by the European Commission (EC) that have shown serious shortfalls in the management of public finances in several key revenue earning agencies, and the unprecedented step taken by the Economic Community of West African States (ECOWAS) for deployment of investigators and economic crime experts to study the situation and report back.

To ensure that all Liberian revenues will be available for the benefit of all Liberian people, to ensure that the Liberian Government will have the appropriate fiscal instruments to capture the revenue required for the development of the country, and to strengthen Liberian institutions so that they can take responsibility for reversing decades of deficiencies in economic and financial management, the NTGL and its partners have concluded that immediate remedial action is needed. They have therefore agreed on the Governance and Economic Management Assistance Program (GEMAP) described below.

The NTGL and its partners appreciate the critical role played by ECOWAS in brokering the ACPA, as well as the central role it continues to play in the peace process, and they acknowledge that the GEMAP has been developed in accordance with a series of meetings between the NTGL and its international partners beginning in May 2005. This agreement is between Liberia and the ICGL.

The GEMAP has been developed jointly between the NTGL and its partners on the basis of full respect for the sovereignty of Liberia. The NTGL and its partners recognize that the GEMAP in no manner replaces the Results-Focused Transition Framework (RFTF) as the plan for assistance in recovery and development or capacity-building as the preferred tool for assuring sustainable economic governance, but that a GEMAP focused on governance is necessary for the success of these measures and that sound economic governance is seen by the international community as a prerequisite to increased financing of the RFTF. The NTGL and its partners emphasize that the Program comprises the following six interlocking components:

(i) **Financial Management and Accountability:** It is critical to protect the revenue streams of key revenue generating agencies and institutions, as well as to secure the revenues from customs duties, import levies and taxes. This will be done through a variety of means, such as deploying international experts with binding co-signature authority to improve financial management.

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1 Throughout this document, "international experts" refers to experts recruited through international procurement processes and subject to international norms, controls and accountability standards regarding performance and remuneration, regardless of nationality. Liberian persons or firms will be encouraged to compete.
practices in selected enterprises and institutions, offering international management contracts for five State Owned Enterprises (SOEs) through competitive bidding, establishing escrow accounts for revenue generated by SOEs, and strictly enforcing the provisions of Executive Order No. 2, which mandates the centralization of the authority to collect revenue at the Ministry of Finance and of government accounts at the Central Bank of Liberia (CBL). In line with the resolution of the Board of the CBL of 2nd September 2005, a new post for a Chief Administrator of the CBL will be created, and an international expert identified to serve under the guidance of the Executive Governor, with binding co-signature authority for operational and financial matters with special emphasis on banking operations and ensuring that internal controls and audits are carried out according to established principles. The specific terms of reference of the Chief Administrator shall be approved by the CBL Board.² The agencies proposed to be covered initially are the following: National Port Authority (NPA), Roberts International Airport (RIA), Liberia Petroleum Refining Corporation (LPRC), Forestry Development Agency (FDA) and Bureau of Maritime Affairs (BMA). In addition, the Bureau of Customs and Excise will be the sixth institution for which a Management Contract will be offered, given its pivotal role in revenue collection. Among other agencies/institutions that are not revenue generating similar management contracts can be identified through the EGSC for similar action in the future. Within the Ministry of Lands, Mines and Energy there will be need for technical expertise with binding co-signatory authority to ensure transparency and accountability in the area of concessions.

(ii) **Improving Budgeting and Expenditure Management:** The expenditure management system needs to be reinforced. There are disconnects between the allotments made by the Bureau of the Budget (BoB), including the frequent revisions therein, the commitments made by line Ministries, the build up of arrears at the Ministry of Finance, and the functioning of the Cash Management Committee (CMCo). The functioning of the system will be improved through capacity building, revamping business processes, providing an Integrated Financial Management Information System (IFMIS), deploying international experts with binding co-signature authority as already requested by the NTGL, ensuring effective commitment control, developing realistic cash and procurement plans, and establishing an empowered Technical Secretariat for the CMCo (or a successor institution) staffed with adequate capacity.

(iii) **Improving Procurement Practices and Granting of Concessions:** Large amounts of Liberia's resources (natural and financial) have been lost through procurement, concession, contract and licensing practices that have not met internationally accepted standards. Executive Order No. 3 prescribes the procedure for implementation of the Interim Procurement Policy and Procedures, and for monitoring of contracts, concession agreements and

² CBL Board Resolution No. BR/R-09/2005, point no. 3.
liberalization of monopolies in Liberia. Transparency in procurement is to be strengthened through the new procurement law, as well as through implementation of a basic e-procurement system that will require mandatory listing, open competitive bidding and publication of results of public tenders. In addition to e-procurement, disclosure will be supplemented through adequate coverage in the print and other media. Specialized procurement expertise will be deployed to strengthen the process for granting of concessions, contracts and licenses. In addition, support will be provided to the Contract and Monopolies Commission (CMC) to strengthen its compliance role and to empower it to review concessions, contracts and licenses. To enhance transparency in the granting of concessions and licenses as well as revenue flows associated with natural resource extraction, Liberia will join the Kimberley Process Certification Scheme and the Extractive Industries Transparency Initiative (EITI).

(iv) Establishing Effective Processes to Control Corruption: After decades of civil war, the judicial system is weakened, with a lack of adequate resources, trained manpower and facilities. The international community will provide policy advice, technical assistance and support for the renovation of facilities. Specific actions are needed to combat corruption. This process necessarily takes time, and justice requires interim actions. In the immediate term these actions include the need for establishment of an effective and independent Anti-Corruption Commission, as well as technical support from the sub-region to assist in investigation of serious fraud, corruption and economic crimes. In the short term, international legal experts will support and advise the Liberian judiciary in the dispensation of justice, particularly in cases of corruption, while international partners complement the efforts of the government to revive the Liberian justice system. These legal experts will support and advise the Liberian judiciary in the dispensation of justice, while international partners complement the efforts of the government to revive the Liberian justice system. This is in line with sub-regional practices supported by ECOWAS.

(v) Supporting Key Institutions: International assistance will be immediately requested for a number of key institutions, such as General Auditing Office (GAO), General Services Agency (GSA), Governance Reform Commission (GRC) and Contracts and Monopolies Commission (CMC). This would be in the form of, but not necessarily limited to, international experts with binding co-signature authority in the CBL and GAO, awarding of a contract for an External Audit Agent to support the work of the GAO and provision of technical assistance to the Ministry of Finance and the GRC.

(vi) Capacity Building: Recourse to international expertise will be an interim measure whose results can only be sustained if sufficient domestic capacity is built up concurrently. This requires reform of institutional mandates, structures and incentives, commencing with a fundamental reform of the civil service and wage structures. The reforms underway through the establishment
of the new Liberian Police Force are encouraging, as is the work of the GRC in revising the Civil Service Manual and preparation of a Code of Conduct for Civil Servants. The work of the Institute of Public Administration will be revitalized to bolster these efforts. The approach described in points (i)-(v) above, targeting national revenues and expenditures, will be accompanied by a plan and resources to enable major progress for capacity building. The plan will specify the activities planned for building local capacity, the timeline for measuring results through improved service delivery and the exit strategy.

**Donor Coordination:** It is essential to ensure that international support to the Republic of Liberia is accounted for and applied transparently and efficiently to foster development and reduce poverty. To this end, the Rimco Support Office (RSO) will be provided all information necessary to effectively collect, collate and disseminate information on aid flows into the country. The RFTF is the overarching partnership framework though which donor funding and use of national resources are co-ordinated. It is the basis for supporting national priorities in a co-ordinated manner. The linkage between the highly focused oversight work of the Economic Governance Steering Committee (EGSC – see below) and the broader, more technical work of the RFTF Implementation Coordination Committee (RIMCO) is critical, since both need to be co-ordinated to deliver results on the ground. The EGSC will cooperate with RIMCO to ensure that there is high degree of cohesion, efficiency and aid-effectiveness in the general context of the RFTF and succeeding mechanisms. In time, the RFTF will be replaced by the I-PRSP. Mutually supportive and strong links between the EGSC and the I-PRSP are critical to ensure that national priorities and donor support continue in a co-ordinated and mutually reinforcing manner.

**Program Implementation:** The implementation of the GEMAP shall be guided and monitored by the Economic Governance Steering Committee (EGSC). In accordance with the fundamental role of economic governance in the environment for all other activities in civil, government and economic society, the EGSC will be chaired by the Head of State of Liberia. The Deputy Chair will be a representative of a development partner. Liberian members will be the Minister of Finance, Minister of Planning and Economic Affairs, the Governor of the Central Bank of Liberia, the Chairs of the Contracts and Monopolies Commission (CMC) and the Governance Reform Commission (GRC), the Minister of Justice and representation of Liberian civil society. The international community will be represented by the local heads of the AU, EC, ECOWAS, Ghana, IMF, Nigeria, UN, US and WB.

The NTGL and its partners agree that appropriate legal action will be taken in response to the results of the EC funded audits and the ECOWAS investigations that are underway, as well as any other identified cases of corruption. Furthermore, they believe that the successful implementation of this assistance program would expedite the lifting of sanctions by the UN Security Council.

The timelines for the development of the GEMAP, the detailed measures to be implemented under the program, and the terms of reference for certain of the key component units of GEMAP are attached in annexes I, II and III, respectively.
Performance and Exit Strategy: The GEMAP will be reviewed periodically to assess progress against benchmarks, results, and resource needs. Annual reviews will be held and modifications made as necessary. The GEMAP will terminate after 36 months, unless the Completion Point under the Enhanced Highly Indebted Poor Countries (HIPC) Initiative has not been reached. Upon attainment of the HIPC Completion Point, remaining elements of the GEMAP will be dismantled.

National Transitional Government of Liberia (NTGL)

Minister of Planning and Economic Affairs

International Contact Group for Liberia

Co-Chairman

Minister of Justice

Co-Chairman

Chairman, NTGL

Done at Monrovia (Liberia) this 9th day of September 2005 in eight originals.
ANNEX I
TIMETABLE

JULY 2005:
- IMF informal country consultations.
- Meeting of the ICG-MRB in Niamey; recognition of need for a comprehensive assistance programme.

AUGUST 2005:
- Finalisation of the GEMAP through consultations between the NTGL and its international development partners, as per ICG-MRB decision
- Sensitisation of presidential and legislative aspirants on the Assistance Programme.
- Start of the Electoral Campaign.

SEPTEMBER 2005:
- 8th progress report of the Secretary-General on UNMIL and Security Council consultations on UNMIL (mandate renewal).
- Third Meeting of the NTGL-ECOWAS-UNMIL Coordinating Mechanism.
- ICG-MRB Meeting in New York

OCTOBER 2005:
- Elections and International Observation missions for the elections.

NOVEMBER 2005:
- IMF staff visit.
- ICGL meeting with the President elect.
- EU Art 96 and 97 discussions with the President elect.

DECEMBER 2005:
- 9th progress report of the Secretary-General on UNMIL and Security Council consultations on UNMIL.
ANNEX II
TECHNICAL ANNEX

1. Securing Liberia’s Revenue Base

Revenue: Large leakages are taking place due to difficulties in fiscal administration, absence of verifiable mechanisms for financial control, and malfeasance. This includes revenues of both State-owned enterprises (SOEs) as well as government revenues from customs levies and taxes.

For government revenues it is essential that Executive Order 2 that mandates the centralization of the authority to collect revenue at the Ministry of Finance and of government accounts at the Central Bank of Liberia (CBL) is strictly enforced.

SOEs present a particularly large risk given their weak management and operational structures and systems. This challenge needs to be addressed immediately as well as through a near term strategy (1-24 months).

1. The Government has decided that, as controlling stockholder of the SOEs, it will immediately convene the respective Boards and instruct them that whatever revenue is being collected by each SOE will henceforth be consolidated in an escrow accounts at the CBL, instead of the current practice of multiple bank accounts at multiple banks (both inside and outside Liberia). Transactions to and from these escrow accounts should be public and transparent, and dissemination of information to the print and electronic media shall take place in real time and in this regard shall be guided by internationally accepted norms of corporate disclosure.

2. At the CBL, a new position for a Chief Administrator will be created, and the IMF will be requested to identify a suitable international expert for that position to serve under the guidance of the Executive Governor, with binding co-signature authority for operational and financial matters with special emphasis on banking operations and ensuring that internal controls and audits are carried out according to established principles. The specific terms of reference of the Chief Administrator shall be approved by the CBL Board. Concurrently, internationally recruited financial controllers with signature authority (co-signing with their government counterparts), need to be appointed initially at the five large revenue generating agencies such as the National Port Authority (NPA), Roberts International Airport (RIA), Liberia Petroleum Refining Corporation (LPRC), Forestry Development Agency (FDA) and Bureau of Maritime Affairs (BMA). In addition, the Bureau of Customs and Excise (BCE) will also be supported through the appointment of international financial controllers/Management Contract. Within the Ministry of Lands, Mines and Energy there will be technical expertise with binding co-signatory authority to ensure transparency and accountability in the area of concessions. Additional agencies/institutions (particularly the Ministry of Posts and Telecommunications;

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3 CBL Board Resolution No. BR/R-09/2005, point no. 3.
LPMC, LTC, LEC and LSWC) may be identified for similar action, at the direction of the EGSC.

3. Since the challenge is to revamp dysfunctional systems and processes in the these agencies, it is essential that Management Contracts for these institutions be awarded for a period of time to be defined with agreed upon milestones for measuring results. These would be awarded on the basis of international competitive bidding so that global expertise can be obtained for upgrading these agencies. This is essential since it is recognized that only by introducing modern management practices and processes will make these agencies sustainable in the long term. The recommendations from the EC financed audits of the NPA, RIA, FDA, LPAC, NMH, CBB and others should be taken into account when drawing up the terms of reference for these Management Contracts. Terms of reference will be developed in close consultation with the respective international financial controllers. Provisions will be included in the Management Contracts to ensure that if foreign firms are awarded contracts, the recruitment of qualified Liberians for senior level positions will be encouraged.

2. Improving Budgetary and Expenditure Controls and Processes:

Budget and Expenditure Management: The budget formulation, budget execution and financial reporting systems need to be rehabilitated.

There is no medium term framework guiding the process, there are no reliable estimates of budgetary receipts, budgetary ceilings are not notified to line ministries in time, the budget circular and the formats therein are unclear resulting in line Ministries sending inflated proposals. After the budget is passed, Ministries are rarely notified of their allotments, with allotments being changed multiple times during the month /year at the sole discretion of the Bureau of the Budget resulting in Ministries not knowing at any point in time as to what the level of their allotment is causing uncertainty both at the commitment stage as well the final payment stage resulting in the excessive build up of large arrears.

Since there is no commitment control system in place, Ministries incur liabilities for Government, irrespective of the allotment made or the cash available.

This results in the Ministry of Finance being in constant crisis mode with the Cash Management Committee under constant and enormous pressure to clear payments choking the system. The poor documentation, thirty stages of voucher review before payments are made, lack of ageing information and opaqueness regarding prioritization by the Cash Management Committee all exacerbate the problem.

On the budgeting side the Government commits to do the following:

1. The Liberian government will adopt a revised Annual Budget Act that will address many of the current shortcomings – especially the critical issue of maintaining the sanctity of the budget once it has been approved by the legislature. Re-appropriations above specified thresholds will need legislative approval through the supplementary budget.
2. Specialized expertise will be obtained for supporting the work of the Budget Committee in developing the medium term framework, improving the budget calendar and the budget circular as well as to support the decision-making process for ensuring that budgetary allocations are as per national priorities.

3. In order to ensure that arrears do not build up, no allotments will be valid unless they have also been approved by the head of the Cash Management Committee or its successor organization, viz. the Minister of Finance.

4. In order to ensure that there is enhanced transparency in the current and following fiscal years, the budget will be posted on the website of the Ministry of Finance and on official websites as appropriate, as well as in print and electronic media. All re-appropriation orders and original - as well as revised - allotments will also be posted on the same site. This disclosure policy will be reinforced by dissemination through print and other media.

On the expenditure side the following actions are being taken:

1. **Cash Management Committee (CMCo) and Bureau of the Budget:** Action has already been taken for establishing the Technical Secretariat (TS) serving the CMCo and any successor organization. Terms of reference for the TS are provided in Annex III. It is to be initially staffed by three officials functioning under the directions of an international public finance expert, and reporting to the Head of the Cash Management Committee. The Secretariat will have sole responsibility for preparing the agenda papers, and the list of payments for the CMCo. The payables list will contain full classification data, supporting vouchers and other documentation as well as the ageing profile. The TS will also provide to the CMCo for the payments proposed, details regarding allotments, commitment so far, expenditure incurred. It will ensure that weekly payments approved are restricted to actual cash collected during the previous week. It will also be responsible for ensuring that there is accurate and timely reconciliation of expenditure figures between the CBL and MoF. In order to increase transparency, the TS will ensure that the minutes of these meetings, the agenda and the dates cheques were released will be posted on the website of the Ministry of Finance. The TS will be responsible for liaising with the Bureau of the Budget to advise them of the weekly amounts for which the Minister of Finance can make allotments, and facilitate the certification of allotments. To ensure proper transparent functioning of the Bureau of the Budget and proper coordination with other parts of the government (particularly the Ministry of Finance), appropriate internal controls and oversight will be developed and applied.

2. **Travel expenses:** Since travel expenses are a particular area of concern, given the widespread abuse that is ongoing (ref. the report of the Auditor General of Liberia (GAO) and the EC financed audits), the TS will ensure that adequate funds are available before such payments are made, and that prior claims are fully settled and properly accounted for before any further releases are made to those individuals who have travelled with government funding. This will require the issuing of clear guidelines for travel, including establishing
standard operating procedures for travel approvals, advances, disbursements, and reconciliations, rates and per diems for all public officials. These activities will be the responsibility of the TS after having obtained the approval of the Minister of Finance. The Executive Order on Foreign Travel which was presented to the NTLA on 21 July will provide a critical input to the formulation of future guidelines applicable to travel by public officials.

3. Integrated Financial Management Information System (IFMIS): There is a need to systematize business processes within the Ministry of Finance along with the need to upgrade systems and technologies. The MoF will procure with World Bank financing an IFMIS system, the user requirements for which have already been finalized. It will include the core expenditure module as well as a procurement module. A debt management system and an e-procurement system will be linked to this IFMIS. These will also be linked to the aid management database, the HR database, and the revenue management system provided by the US Treasury.

4. Resource Management Unit (RMU): The proposal for successfully implementing the IFMIS is a challenging one since it is a typical example of a high technology system expected to operate and be sustainable in a low capacity environment. In order to assist the Government in implementing this system successfully an externally funded Resource Management Unit, with expertise in financial management, procurement, change management and business process re-engineering will be recruited and established within the Ministry of Finance. The terms of reference for the RMU are provided in Annex III. The RMU will function under the direction and control of the Minister of Finance. The Minister of Finance will appoint a full time senior project manager to liaise with the RMU and ensure successful implementation of the project. The team leader/public expenditure management expert of the RMU will have binding co-signature authority, through which he/she will help ensure transparency in the expenditure process. The RMU will ensure that payment processes are streamlined and that there are adequate internal controls and audit trails. In making payments, the RMU will ensure that payment requests are in line with cash and procurement plans prepared by Line Ministries. As an integral part of the payment process, the RMU will be part of the Technical Secretariat of the CMCo. The RMU will be responsible for procuring the IFMIS system.

3. Improving Procurement and Concession Processes and Practices:

Large amounts of Liberia’s resources (natural and financial) have been lost over the decades through procurement, concession, contract and licensing practices that have not met internationally accepted standards. There has been an almost complete breakdown of the public procurement process with competition in procurement clearly not being the norm.

The situation with regard to contracts and concessions has been similar. Contracts and concession negotiation and award have been undertaken over the decades in a manner that makes it difficult to ensure and confirm competition in accordance with existing
national laws and policies and with international standards or to assure their legality and enforceability once arrangements are awarded, with weak external control and oversight. There has been widespread conflict of interest in the selection processes. Contracting and concession processes have not been well tailored to the selection of the optimal candidate or the maximization of the public good. Concessions awarded have resulted in a high revenue loss to Liberia and the Government over the medium term.

There has been some improvement in the authorizing environment with the issue of Executive Order No 3, that prescribes the procedure for implementation of the Interim Procurement Policy and Procedures (IPPP), and for monitoring of contracts, concession agreements and liberalization of monopolies in Liberia as well as the Interim Procurement Guidelines (IPG) that have helped decentralize procurement. However the implementation of these guidelines and the enforcement mechanisms remain weak.

In order to strengthen procurement the following actions are being taken:

1. A procurement law that will strengthen transparency in procurement has been passed by the Legislature and will become effective on 1st January 2006.

2. Consistent with Article XVII of the ACPA the e-procurement system will require mandatory listing, open competitive bidding and publication of results of public tenders. The threshold for such listings will be specified by the CMC. This website will be operated and maintained by the CMC which will strengthen its regulatory role specified in the ACPA. It will be its primary tool to ensure that compliance with regulations is taking place in practice.

3. In addition to public listings on the e-procurement website, CMC will ensure that public disclosure of procurement will be supplemented through adequate coverage in the print and other media.

4. CMC will also provide assistance to all agencies of Government (and the private sector) in ensuring effective implementation of, and adherence to, the procurement regulations and guidelines.

5. Since fiduciary responsibility for payments is that of the Ministry of Finance, the responsibility for ensuring that proper procurement guidelines and listing requirements have been complied with will be that of the RMU.

6. The RMU will be charged with the responsibility for assisting the Minister of Finance in reviewing procurement decisions above a threshold specified by the CMC. The Minister of Finance must sign off on all such decisions; otherwise, these decisions are invalid.

7. A review (covering structures, mandate and future organisation) will be undertaken of the functioning of the General Services Administration (GSA).

In order to strengthen concessions and contract processes, the following is agreed:

1. The CMC will ensure equity and transparency in the bidding and granting of concessions.
2. Any new Executive Order dealing with concessions will be fully implemented.

3. All concessions agreements will require the approval and signature by the Minister of Finance. The RMU will undertake review of all concessions to ensure adherence and consistency with approved public procurement and concession policy before they are submitted to the Minister for his approval.

4. Contracts that are not approved in accordance with Executive Order 3 are *prima facie* invalid.

5. There will be an independent review of contracts, concessions and licenses granted under the NTGL. CMC has initiated the process of review of contracts and will initiate the review of concessions, in line with its role as the regulator for procurement. Appropriate international expertise will be obtained to assist the CMC with this review. The RMU cannot assist the CMC in this review since it would entail a conflict of interest.

6. CMC will publish on its website on a monthly basis the outcome of the reviews that it has undertaken.

7. To enhance transparency in the granting of concessions and licenses as well as revenue flows associated with natural resource extraction, Liberia will join the Kimberley Process Certification Scheme and the Extractive Industries Transparency Initiative (EITI).

**4. Establishing Effective Processes to Control Corruption:**

After decades of civil war, the judicial system is weak with lack of adequate resources, trained manpower and facilities. The international community will provide policy advice, technical assistance and support for the renovation of facilities. Specific actions are needed to combat corruption.

The short-term measures required to ensure effective processes to control corruption are the following:

1. NTGL will establish, according to internationally recognized guidelines, an effective and independent non-political Anti-Corruption Commission with full prosecutorial powers, by issuing an Executive Order within two weeks of the GEMAP coming into effect, followed by appropriate legislation. An independent prosecutor will be appointed subject to a transparent vetting process. The international community will be asked to provide technical assistance to enhance the investigative and other capacity of the independent prosecutor’s office and of the Anti-Corruption Commission.

2. The Anti-Corruption Commission will be responsible for investigating any alleged or suspected corruption brought to its attention by any person or group and recommending prosecution in cases of substantive corrupt practices. The Anti-Corruption Commission will have the authority to investigate cases brought to it by donor countries who believe that their funds were not properly utilized by the government. Technical support in the form of serious fraud
investigators and anti-corruption/economic crimes officers will be actively sought.

3. The Anti-Corruption Commission will have both Liberian and International Commissioners.

4. Legal experts, drawn internationally and from the ECOWAS region, will work with the Liberian judiciary to monitor and advise on the dispensation of justice, while international partners will complement the efforts of the government to strengthen and revive the Liberian justice system.

5. Supporting Key Institutions:

There is need to remove constraints affecting the effective operations of a few additional key institutions involved in economic governance. In particular: (i) The independence of the Central Bank of Liberia needs to be upheld, and CBL adherence to effecting payments only for budgetary expenditures approved by the CMCo or its successor must be ensured; (ii) structural anomalies affecting the independence of the Auditor General of Liberia (who reports to the President / Chairman and not the legislature) need to be redressed; (iii) the mandate and operations of the General Auditing Office, which are currently not fully respected, need to be restored; and (iv) the institutional weaknesses of the Governance Reform Commission, which constrain its ability to discharge the mandate assigned to it under the ACPA, need to be rapidly redressed.

In order to resolve these issues, NTGL confirms that:

1. The Central Bank of Liberia will have (i) complete independence to operate in accordance with the provisions of the New Financial Institutions Act of 1999 as well as the Central Bank of Liberia Act of 1999, (ii) a new position for a Chief Administrator will be created, and the IMF will be requested to identify a suitable international expert for that position to serve under the guidance of the Executive Governor, with binding co-signature authority for operational and financial matters with special emphasis on banking operations and ensuring that internal controls and audits are carried out according to established principles. The specific terms of reference of the Chief Administrator shall be approved by the CBL Board. 4

2. General Auditing Office: (i) The revised Act establishing the General Auditing Office independence by reporting to the Legislature will be submitted immediately to the Legislature and once passed, implemented and enforced. (ii) The NTGL will review and implement the findings and recommendations of the current EC Management Study of the GAO in order to ensure that a technically strengthened GAO will be able to implement its mandate and function in an accountable and fully responsive manner. (iii) An External Audit Agent will be recruited through competitive bidding for a period of three years. The EAA would function under the direction and

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4 CBL Board Resolution No. BR/R-09/2005, point no. 3.
control of the Auditor General of Liberia and support the discharge of external audit functions for all SOEs and financial institutions of Government.

3. Governance Reform Commission: The GRC will be provided additional resources and its mandate will be reaffirmed, in order to strengthen its capacity to function as an effective Ombudsman in Liberia as originally envisaged in Article XVI of the ACPA.

6. Capacity Building:
The measures under the GEMAP are intended to complement and underpin to the fullest extent possible the capacity building measures already included in the RFTF, as well as institutional support initiatives already being undertaken by the Group. The RFTF remains one of the operative documents and donors will continue to support it during its lifetime; donor commitments to finance activities under the GEMAP are not intended to displace funding for activities under the RFTF but are expected to facilitate decisions for additional funding.

This recourse to international expertise will be an interim measure whose results and outputs can only be sustained if sufficient public sector and Liberian private domestic capacity is built up in parallel. The approach described in points 1-5 above, targeting national revenues and expenditures, will be accompanied by a plan to enable medium-term planning for poverty reduction and capacity building. The capacity building plans will specify the activities planned for building local capacity, the timeline for measuring results through improved service delivery and the exit strategy.
ANNEX III

DESCRIPTION AND TERMS OF REFERENCE FOR THE EGSC, CMCO AND RMU

The organization structure and linkages of the GEMAP are shown in Figures 1-3 at the end of this text. The following are the key elements of these structures.

1. Economic Governance Steering Committee

The Economic Governance Steering Committee (EGSC) is a high-level committee created to monitor and guide the implementation of the GEMAP. It does not deal with implementing the RFTF which is the role of RIMCO or its successor organization. It is chaired by the Liberian Head of State, includes heads of key government ministries and agencies, and the local heads of the international partners that will mobilize the financial and technical resources for the GEMAP. It will also include a representative of a civil society organization. Other representatives of Liberian civil society (including the Inter-Religious council, one internationally-recognized humanitarian organization and one internationally recognized human rights organization) may be invited as observers.

Membership:

The EGSC will be chaired by the Head of NTGL and subsequently by the Head of State of the incoming Government of Liberia. The Deputy Chair will be a representative of a development partner. Liberian members will be the Minister of Finance, Minister of Planning and Economic Affairs, the Governor of the Central Bank of Liberia, the Chairs of the Contracts and Monopolies Commission (CMC) and the Governance Reform Commission (GRC), the Minister of Justice and a representative of Liberian civil society selected by unanimous accord of the other members. The international community will be represented by the local offices of the UN, ECOWAS, AU, EC, Ghana, Nigeria, US, IMF and WB.

Functioning:

Joint monitoring is key to ensuring control, accountability and transparency in the functioning of the elements of the Programme (such as management contracts). The EGSC will monitor the implementation of GEMAP as well as arbitrate all potential disagreements over financial decisions made in the Central Bank, Ministries and Agencies of Government and State Owned Enterprises and make its conclusions and recommendations in a transparent and public manner. The Head of State will retain all executive authority to decide State matters should arbitration within the EGSC not succeed. In such cases, any decision by the Head of State shall be documented by the EGSC. To this end, a bulletin on the workings, findings, observations and decisions will be made available to the general public through the print and electronic media and other appropriate mechanisms to be determined by the EGSC.

The EGSC will ensure that implementation of the elements of the GEMAP is fully synchronized with parallel capacity-building efforts, so as to ensure an orderly exit from responsibilities and duties.

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3 EGSC will agree on a civil society organization member
The EGSC will initially meet weekly and will establish a regular schedule on the basis of the workload.

2. The Cash Management Committee (CMCo)

The Cash Management Committee (CMCo) is an inter-ministerial committee currently responsible for implementing cash-based budgeting. It allocates government expenditures on a weekly basis, according to the priorities of the annual budget and the cash available in the Government’s Account at the Central Bank (CBL). It meets on a weekly basis but can be convened more frequently if required.

The proposed Technical Secretariat (TS) of the CMCo would assure the timely, complete and accurate flow of disbursement requests documents through the CMCo and assure the accuracy and timeliness of CMCo reports to government. It would ensure that the CMCo allocates expenditures on the basis of prior expenditure authorization rather than subsequent liquidation of accounts payable and will ensure that there is appropriate prioritisation and justification for payments. The TS as a unit reports to the Head of the CMCo. The international independent expert will also report to the EGSC should this be required.

Membership:

The TS is to be staffed initially by three government officials functioning under the direction of an independent, internationally-recruited public finance expert.

Functioning:

Action has already been taken for establishing the TS. The Secretariat will have sole responsibility for preparing the agenda papers, and the list of payments for the CMCo. For any proposed expenditure authorization to be placed on the agenda of the CMCo, it will verify that (1) there is a budget line item for this expenditure, and (2) there is sufficient budget remaining under this line item to cover the expenditure. To this end, the payment authorisation dossier will contain full classification data, supporting vouchers and other documentation as well as the ageing profile. The TS will also provide to the CMCo for the payments proposed, details regarding allotments, commitment so far, expenditure incurred. The TS will also be responsible for ensuring that there is accurate and timely reconciliation of expenditure figures between the CBL and MoF.

As secretariat to CMCo meetings it will ensure that weekly payments approved by the CMCo do not exceed actual cash balances including collections during the previous week. To this end, the independent international expert will have binding co-signature authority on decisions made by the CMCo; this authority is temporary, and will be assumed by the Resource Management Unit (RMU) after this Unit has been recruited and installed. Any decision disputed by the Head of CMCo can be appealed to, and adjudicated by, the EGSC.

In order to increase transparency, the TS will ensure that the minutes of the weekly meetings, the agenda and the dates cheques were released will be available to the general public, through the print and electronic media. The TS will be responsible for liaising with the Bureau of the Budget to advise them of the weekly amounts for which
allotments can be made, as well as facilitating the certification of allotments by the Minister of Finance.

Since travel expenses are a particular area of concern, given the widespread abuse, the TS will ensure that adequate funds are available before such payments are made, and that prior claims are fully settled and properly accounted for before any further releases are made to those individuals. This will require the issuing of clear guidelines for travel, including establishing standard operating procedures for mission authorizations and travel approvals, advances, disbursements, and reconciliations, rates and per diems for all public officials. These activities will be the responsibility of the TS after having obtained the approval of the Minister of Finance.

The functions of the TS will be replaced in part by the RMU once the RMU has been recruited by international competitive bidding.

3. Resource Management Unit

An externally funded Resource Management Unit (RMU), with expertise in financial management, procurement, change management and business process re-engineering, will be recruited and provided to the Ministry of Finance. The RMU will function under the direction of the Minister of Finance, who will appoint a full time senior project manager to liaise with the RMU. The RMU will provide technical assistance associated with implementing an Integrated Financial Management Information System (IFMIS) for the Ministry of Finance, support the technical secretariat of the CMCo, and improve procurement systems including review on behalf of the Ministry of Finance of all potential new concessions agreements submitted for the Minister’s signature. In the future when the immediate need for cash-based budget execution has passed, the RMU may serve a successor unit to the CMCo or to a cross-ministerial group managing government economy and finance.

Membership:

It is expected that the core international RMU membership could comprise the following ten experts:

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<tr>
<td>1.</td>
<td>Team Leader: Public Expenditure Management Expert</td>
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<td>2.</td>
<td>Cash Management Expert</td>
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<td>3.</td>
<td>Revenue Management Expert</td>
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<td>4.</td>
<td>IFMIS, Payroll, Procurement system implementation expert (1)</td>
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<tr>
<td>5.</td>
<td>IFMIS implementation expert (2)</td>
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<td>6.</td>
<td>Procurement expert (1)</td>
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<td>7.</td>
<td>Procurement expert (2)</td>
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<td>8.</td>
<td>Concessions review expert (1)</td>
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<tr>
<td>9.</td>
<td>Concessions review expert (2)</td>
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<td>10.</td>
<td>Change Management Expert</td>
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The team would call upon additional national and international experts as required.

Functioning:

The RMU would, inter alia, be responsible for assistance in improving the expenditure management system through implementing the IFMIS, debt management, payroll and procurement modules. The RMU would also have responsibility for ensuring that the procurement guidelines are adhered to and that the e-procurement system is fully complied with for transactions above a threshold specified by the Contracts and Monopolies Commission. The RMU would also have responsibility for undertaking a review of concessions as well as for processing of all concessions before they are submitted to the Minister of Finance for approval. As an extension of this, the RMU may work with relevant line ministries to strengthen their technical capacities to deal with concessions that fall under their jurisdiction.

The RMU would exercise binding co-signature authority, and be a part of the Technical Secretariat of the Cash Management Committee (replacing the role of the independent expert).

The RMU will ensure that payment processes are streamlined and that there are adequate internal controls and audit trails. In making payments, the RMU will ensure that payment requests are in line with cash and procurement plans prepared by Line Ministries. As an integral part of the payment process, the RMU will be part of the Technical Secretariat of the CMCo. For the Ministry, the RMU will be responsible for procuring the IFMIS system. The RMU as an institution will report to the Minister of Finance and provide support in financial management, procurement and concessions. The Team Leader will report to the EGSC where required.

All concessions agreements require the approval and signature by the Minister of Finance. The RMU will be charged with the responsibility for assisting the Minister of Finance in reviewing procurement decisions above a threshold specified by the CMC. The CMC is the entity created by the ACPA to ensure transparency and value for money in the awarding of concessions, among other tasks. Appropriate international expertise will be obtained to assist the CMC with this review.