



## INNOVATIONS FOR SUCCESSFUL SOCIETIES

### SAVING A SINKING AGENCY: THE NATIONAL PORT AUTHORITY OF LIBERIA, 2006 – 2011

#### SYNOPSIS

In 2006, Liberia's only functioning seaport was a quagmire, riddled by corruption, cargo theft, and a glut of untrained workers. These problems combined to slow the delivery of relief supplies that were badly needed after a 14-year civil war, which had ended three years earlier. A battle site, the Freeport of Monrovia suffered from war damage and years of neglect. It was in danger of shutting down completely. The responsibility to upgrade the infrastructure and improve management lay with the National Port Authority (NPA), a state-owned enterprise that operated the Freeport. From 2006 through 2011, Togba Ngangana, George Tubman and Matilda Parker, successive managing directors at the NPA, enacted a series of reforms to restore the authority and port operations. The Liberian government and outside donors agreed to hire internationally recruited financial controllers to work with NPA directors on fiscal matters. Together, the directors and controllers put in place new systems that helped the NPA collect revenue and prevent unnecessary expenses, installed an automated financial management system, reduced staff size, trained remaining workers, and improved the Freeport's security infrastructure to meet standards of the International Maritime Organization. This case chronicles the steps reformers took to improve the management of a politically sensitive agency in a post-conflict setting.

*Jonathan Friedman drafted this case study on the basis of interviews conducted in Monrovia, Liberia, during September 2011. Case published February 2012.*

#### INTRODUCTION

Gbelly Barmor, president of the National Customs Brokers Association of Liberia, recalled the delays, corruption and uncertainty that plagued the process of handling and processing cargo at the Freeport of Monrovia in the wake of the 1989–2003 civil war. Equipment was scarce, the lone tugboat for berthing ships often broke down, power outages were frequent, and customs brokers usually waited days for technicians to

repair equipment. Because of the unpredictable situation, "Brokers would sleep at the port in case equipment started working again in the middle of the night," Barmor said. The volume of cargo overwhelmed the National Port Authority's capacity to move goods from vessels to trucks. Brokers, who earned fees by helping importers and exporters meet shipping requirements, often had to bribe operators of cargo-handling equipment to receive service, and merchandise was

frequently damaged or stolen. “It was a very hectic process,” he said.

The Freeport of Monrovia was a key element of Liberia’s fragile recovery because of its importance in terms of trade and revenue. Built by the United States military during World War II on Bushrod Island in Liberia’s capital, Monrovia, and operated by the National Port Authority as a state-owned enterprise since 1970, the Freeport was the entry point for more than 95% of Liberia’s imports. After the civil war, the port accounted for more than 90% of all customs revenue collected by the government. Liberia’s future economic development would require expanded capacity. To support the potential export of raw materials including iron ore and timber, the NPA also managed the country’s three other ports at Greenville, Harper and Buchanan, cities located between Monrovia and the border with Ivory Coast. However, these outports had fallen into disrepair, and reforms focused on the more strategically important Freeport of Monrovia.

Between 2003 and 2005, leaders of former warring factions operated as an interim management team at the NPA, and the Freeport’s problems continued. When President Ellen Johnson Sirleaf took office in January 2006, the neglect of the National Port Authority showed in many ways. The port could not account for its revenues or expenditures. Almost all transactions were in cash, and what records existed were only on paper. Opportunities for corruption were rife. Bribery, damage to equipment, and theft of cargo—even theft of entire ships—plagued the NPA. The oil jetty’s containers leaked. Sixteen sunken ships and heavy silt impeded shipping lanes, and two of the port’s four quays, including a marginal wharf, had been destroyed in the war. Yet a shutdown of the port, which could occur at any time for any of a number of reasons, would imperil the flow of relief supplies and reconstruction support.

In January 2006, just one week after taking office, Sirleaf appointed the first of three managing directors who would confront the port’s massive problems during the next five years. Her initial choice was Togba Ngangana, an engineer whose résumé included positions at Liberia’s Ministry of Public Works and the Maryland Department of Transportation in the United States. Ngangana served for just over one turbulent year. George Tubman, a former NPA managing director, who had served on Sirleaf’s transitional team on the seaports committee and previously held various positions at Liberia’s Roberts International Airport and at the Ministry of Commerce and Industry, took over in late 2007 and served until early 2009. Matilda Parker, a former senior director at AT&T who won an award for “enterprise transformation” from the University of Texas while earning her executive master’s degree in business administration, succeeded Tubman.

To support the managing directors, the Liberian government and international donors hired three financial controllers, who served consecutively between 2006 and 2010 under the auspices of the country’s Governance and Economic Management Assistance Program (GEMAP). Under GEMAP, internationally recruited financial controllers and technical experts implemented safeguards at four state-owned enterprises and several government ministries to ensure that donor aid money was used properly. The first was Thomas Downing, who had worked for 25 years in both public and private sector finance in Uganda, Ukraine, Romania, Palestine and the United States. Rejean Labonte succeeded Downing in 2007, and Michael Halbert took the position in 2009.

The differing goals and allegiances of the GEMAP controllers and NPA managing directors led to friction that contributed to the lack of leadership continuity during this period. GEMAP controllers, who were responsible only

to a steering committee made up of Liberian government officials and international donors, sometimes pressed ahead with financial reforms that increased political pressures on NPA managers. Sirleaf dismissed leadership teams in 2007 and again in 2009, in a series of shakeups.

Despite disagreements and political entanglements, the managing directors and the GEMAP controllers made significant progress in building financial management systems, optimizing staff capacity and securing the Freeport in spite of the instability caused by layoffs.

### THE CHALLENGE

In 2006, poor financial management and corruption permeated all levels of the National Port Authority and had depleted the agency's coffers. The NPA owed more than US\$2 million to suppliers and needed infrastructure upgrades that it could not finance on its own. The agency could not secure the premises of the Freeport or the ships and cargo there, and it had many poorly trained employees as a result of a rapid staff expansion after the civil war.

The peace agreement that ended the war installed leaders of former opposing factions as port managers. One provision of the Comprehensive Peace Agreement signed by the warring parties in August 2003 allocated overall responsibility for the port authority to LURD (Liberians United for Reconciliation and Democracy), a rebel group. The central government and the other main rebel group, MODEL (the Movement for Democracy in Liberia), received management positions at the agency.

During the first two years after the war, shoddy procurement processes and contracts undermined the NPA's financial condition. Following one deal in 2005, the interim president of Liberia dismissed the NPA's entire board of directors for suspected complicity in overlooking

the weaknesses of a bidder that had received a contract. Later that year, the head of the Bureau of Maritime Affairs and the NPA managing director were arrested for embezzling more than US\$4 million between them—nearly half the NPA's total revenue that year. The head of the bureau fled Liberia before trial.

Patronage boomed during this early period, as the port's new managers doled out NPA jobs to cronies and former colleagues. From 2003 to 2005, employment at the port tripled from 675 to roughly 2,000. Grace Tee Kpaan, head of the Dockworkers Union at the time, said managers bypassed the official hiring process in taking on new workers and placed many new staffers in positions for which many were ill suited. "You had illiterates as secretaries, people who had never seen typewriters as typists, and mechanics as purchasing agents," she said. Furthermore, noted NPA Acting Planning Commissioner Matthew Snowea, many new staffers were loyal to their factions rather than the agency that hired them. He said, "Supervisors could not effect their mandates because employees were loyal to someone else."

The NPA's security section seemed to be a natural fit for former rebels, and the influx swelled the section's payroll to 600 from 200 between 2003 and 2005. However, the Freeport's security situation worsened as many of the new employees took advantage of opportunities to loot cargo and harass customers. The NPA also lacked adequate controls at the Freeport to prevent outsiders from looting and damaging cargo or seizing ships. As a result, the port failed to meet the International Ship and Port Facility Security (ISPS) Code, a set of security standards required by the International Maritime Organization (IMO). Because the Freeport was not ISPS compliant, the IMO required all ships that passed through the port to undergo additional cargo inspections before they could dock at their next port. Shippers who used the port also had to pay substantially higher

insurance rates. Some shipping companies bypassed the Freeport in favor of other harbors in Guinea, Senegal and Ivory Coast to avoid the additional cargo inspections, higher costs and delays, costing the NPA potential revenue.

The managerial and operational mess during the first few years after the war created major challenges for the new team that took over in 2006. Incomplete records left the reformers with a murky picture of NPA finances. The collection of cash fees, informal record keeping, and failure to deposit funds with the appropriate NPA unit meant that the new leaders could not reconcile financial reports. Lax procedures allowed staffers to collect bribes in exchange for reducing the amounts customers owed. Underreporting of cargo weight, berthing duration and warehouse use was common. The lack of accurate information confounded efforts to map out reforms.

Personal relationships between staff, suppliers, and even management and board members undermined the integrity of the procurement process. Overcharging the NPA for expenses was a significant problem. For example, some staff members replaced their vehicle tires every two months, sold their lightly used tires and pocketed the money. A review also found that some senior officials billed the agency as much as US\$1,000 per day when they traveled—an amount that far exceeded the bounds of common sense as well as the limits set by other countries for their own employees. Liberia's General Auditing Commission found that the interim management teams—members of former warring factions in charge of the NPA between 2003 and 2005—regularly entered into leases at below-market rates, suggesting widespread kickbacks.

Salaries totaling US\$400,000 accounted for half of the agency's monthly expenditures and were paid in cash in envelopes at seven sites at the Freeport without effective supervision. At the three outposts—Greenville, Harper and

Buchanan—cash for skeleton staff was carried from nearby banks in wheelbarrows, and in at least one instance the steward claimed a wheelbarrow was stolen. Downing, the GEMAP controller in 2006-07, said, "Money was leaking everywhere—just stolen."

The United Nations Mission in Liberia (UNMIL) lowered one hurdle to reform in 2005, when the mission temporarily took control of security at the Freeport. The agreement that ended the war charged the U.N. with reforming all security services in Liberia, including seaport police. Between April and June, the U.N. Police investigated the records of the roughly 600 members of the port security staff and concluded that 370, including the director of the security unit, were unfit to serve based on their educational credentials, age, criminal history and physical ability. As a result, many were laid off and others were sent to the National Police Training Academy for basic police and specialized seaport security training. Faced with protests by those who lost their jobs, the NPA management insisted that the process was led by UNMIL and essentially beyond its control.

Although the revamp of the port police removed a significant obstacle for the reform team that began work in 2006, significant challenges remained. The leaders knew they had to lay off more workers and reduce corruption opportunities for those who remained. A backlash, including physical retaliation, remained a possibility. The situation had all the hallmarks of a governance trap; reform could potentially rekindle violence.

## FRAMING A RESPONSE

Ngangana and Downing, the first reform team to take on the Freeport challenge, lacked experience in port management but used a number of information sources to bolster their understanding of the situation. They tapped the accumulated knowledge of longer-serving NPA officials. GEMAP provided a port operations

specialist, Kenneth Karpinski, to provide additional help and insights.

When Ngangana and Downing arrived in 2006, they also had guidance from two recent assessments of the NPA. In 2004, the European Union had commissioned the American firm Ernst & Young to audit the staff and financial operations at all state-owned enterprises, including the NPA. Soon after, Liberia's General Auditing Commission completed an evaluation of all property and warehouse leases on the Freeport grounds.

The two reformers also had the benefit of a recent technical appraisal. In 2005, the World Bank had commissioned Royal Haskoning, a Dutch consultancy, to assess the institutional framework and management structure at the NPA, the Freeport's infrastructure and utilities, the condition of cargo handling and storage equipment, the port's security needs and other specific problems that could be addressed in the short term. The World Bank pledged to finance emergency infrastructure repairs identified in the assessment, including dredging the channel leading into the basin, repairing leaky oil containers, and buying fire and rescue equipment. Royal Haskoning also compiled a far-reaching port master plan that envisioned infrastructure upgrades that would cost nearly US\$100 million.

More importantly, the master plan suggested the possibility of a public-private partnership at the Freeport, in which a private firm would commit to invest in the port's infrastructure in exchange for a long-term management contract. Government officials debated the question of a public-private partnership with GEMAP and World Bank advisers until December 2007, when Sirleaf endorsed the idea and set the multiyear process in motion. The president appointed Patrick Sendolo, a member of the government's GEMAP technical team, to head the Port Reform Secretariat, a unit within the Liberia Reconstruction and Development Committee, to

lead the concession process. Sendolo studied the recent port concession agreements in Nigeria and Sierra Leone and drew on the advice of technical experts from the World Bank.

Although the government did not award the first Freeport concession until 2010, the decision to privatize operations altered reform plans significantly beginning in 2008. The NPA, functioning as a landlord and regulator under the concession system, would have far different needs in terms of financial management systems, staffing and employee skills. The port authority's priorities at the Freeport would include monitoring the concessionaire to ensure it accurately reported shipping and cargo information, that it serviced customers without bias toward specific companies, and that it remitted the appropriate fees. The NPA would also maintain the road network connecting one wharf (the "marginal wharf") to Monrovia streets and manage leases of Freeport grounds to private companies.

## GETTING DOWN TO WORK

Between 2006 and 2010, port authority managers and GEMAP controllers put in place a system of financial controls, restructured and trained staff, and upgraded the security infrastructure at the Freeport of Monrovia. The gains came despite disagreements between GEMAP controllers and port authority managers that contributed to the NPA having three managing directors and an equal number of GEMAP controllers during the period.

### *Revenue collection and spending, 2006–2008*

In 2006, Downing, the first GEMAP controller, and Ngangana, the first managing director, began efforts to plug financial leaks by eliminating cash payments at the NPA, enforcing procurement guidelines, and bolstering monitoring of frontline staff and private contractors who operated at the Freeport.

Downing worked with shipping companies and local businesses to explain the NPA's new guidelines, which required customers to pay all port and warehouse fees directly to the agency's bank account rather than in cash to port authority employees. However, some customers fabricated bank deposit slips, creating the illusion for NPA clerks that they had made payments. Only months later did NPA accountants realize these mistakes when they performed bank reconciliations and discovered the money was never deposited. In 2007, Tubman, Ngangana's successor, acted to prevent these ploys by requiring payments in certified checks that had security features such as watermarks and special bond paper. Tubman also assembled a black list of violators who were banned from doing business at the port. When she took over as managing director in 2009, Parker added other safeguards, including daily bank reconciliations, to ensure that the NPA received the proper amounts.

In 2006, Downing also increased frontline monitoring at the port to ensure customers did not evade payments by bribing or tricking staff. One example related to so-called feeder craft, smaller boats that paid flat rates. Some owners would register three or four feeder craft under a single name and pay fees for just one boat. The NPA began inspections of feeder craft and created a registry so the boats could be identified more easily. Downing also assigned a staff member to photograph every vessel that entered the port, to prevent evasion of payments.

Another example of corruption involved a private company the port authority had hired to weigh cargo, generate appropriate fees, and remit 25% to the NPA. Downing discovered the company's staff was undercharging customers by understating the weight of the cargo in return for bribes and was not remitting the full amounts owed. In response, the port authority assigned monitors to verify that customers were correctly charged. The NPA also required customers to

pay the fees directly to the port authority, which would then remit 75% to the company. The move gave the NPA leverage against the company in case of future problems.

Despite these reforms, the NPA's monitors could not check the movement of every piece of cargo at the Freeport, and the port authority had no way to ensure that its own monitors were not taking bribes. Although the NPA made progress in securing the revenue flow, the operators of cargo-handling equipment still could extract illicit payments, for instance, by expediting loading and unloading, or allowing containers to leave the port without collecting appropriate fees.

Procurement reform was a struggle. Under a law passed in 2005, Liberia set up a Public Procurement and Concessions Commission to review procedures involving major government purchases. Downing began to enforce the law's requirements at the Freeport, asking for three estimates or bids from potential suppliers, with specific details about quality and price. In one case, he discovered that the port authority had awarded a no-bid fuel contract worth roughly US\$1 million to a company secretly owned by a former chairman of the NPA board. In another case publicized by the Liberian media, the NPA's management was set to acquire a second tugboat even though the vessel did not meet specifications and was substantially overpriced. Downing and Ngangana feuded over the matter. Downing exercised his cosignatory authority to block the purchase and reopened the bidding process. When the dispute between Downing and Ngangana went public in March 2007, President Sirleaf reassigned them to other agencies.

Payroll administration was another source of financial leakage. In 2006, Downing moved to eliminate cash pay. He introduced a direct deposit system that required workers to open bank accounts and show identification cards to get their wages from a local institution, Ecobank. With help from Kpaan of the Dockworkers Union,

Downing taught staff members about the new system and worked to persuade them of its benefits. Although some employees already had bank accounts, many others did not. “Initially, employees didn’t like it, but when they saw they got paid regularly, on time, and in the right amount, they supported it,” Kpaan said.

The direct deposit system had unintended favorable consequences. In addition to simplifying payments to staff, the process of producing identification cards helped root out ghost workers who received salaries even though they were not officially employed by the NPA. Additionally, Kpaan said getting employees accustomed to banks had other benefits such as helping employees save their earnings and take out loans. “People used to collect cash, but Downing said, ‘Let’s try it another way.’ People got used to the system,” she said.

#### *Cutting staff, increasing benefits, 2006–2008*

Port authority managers recognized the need to reduce staff substantially. With roughly 1,600 employees in 2006, the NPA had nearly three times the number it needed to operate effectively. Many workers lacked the necessary skills, while others with skills often occupied positions for which they were ill suited.

In 2006, the NPA hired the Liberia Institute for Public Administration, the government’s training program, to evaluate staff and to make recommendations regarding layoffs and the gradual repositioning and training of remaining workers. A wave of layoffs in 2007 reduced the headcount to fewer than 1,100, and more dismissals in 2008 reduced the number to 700. Layoffs followed a last-in first-out policy. The personnel department also processed retirement paperwork for anyone who had reached retirement age. During the review process, the personnel team identified ghost workers, who received pay but never appeared at the port. Some additional employees simply abandoned their jobs.

Kpaan negotiated severance packages for laid-off workers. Liberian law required the port authority to pay two months’ salary in addition to a month’s salary for each year spent at the NPA. In some instances, Kpaan said she was able to win better terms, including additional one-time payments of US\$1,000–\$3,000. Kpaan said many employees volunteered for retrenchment in part because of the generosity of the severance packages and also because many who took jobs at the port in the chaotic period between 2003 and 2005 had no interest in working there, anyway.

After the initial round of dismissals, port workers were under the impression that there would be no further layoffs, according to Kpaan. When the port authority announced the second round of dismissals in February 2008, the Dockworkers Union went on strike. Taking an active role, Sirleaf attended a meeting with hundreds of workers and explained that the NPA needed to reduce spending on wages in order to fund the development of port infrastructure. She noted that some units still had three times the number of necessary employees. The president instructed Tubman, managing director at the time, to add US\$400 payments to severance packages for each employee, and the dockworkers ended the strike. From time to time, laid-off staff demonstrated outside the Freeport, claiming that they had not received severance packages. However, all employees signed a statement at the time of their dismissal in which they acknowledged that they had received the package owed them.

The Dockworkers Union played an important role in improving the pay and benefits of workers at the Freeport. Kpaan said that she urged management to take steps to boost employee morale after the layoffs, and that she was able to negotiate higher salaries and better health benefits now that the NPA had fewer staff and rising revenues. Previously, official salaries were low and most compensation was in the form

of allowances that managers handed out at their discretion.

The NPA agreed to raise the formal minimum salary to US\$212 per month, and later to US\$250 per month. The NPA also agreed to pay salaries in U.S. dollars, considered more stable than Liberian dollars. Kpaan said she lobbied the NPA to reinstate health benefits and extend coverage to three dependents for each staff member. She also said she negotiated an increase in death benefits from 5,000 Liberian dollars (about US\$77) to US\$5,000, and made such payments uniform across staff level. The minimum salary at the port authority surpassed that of most other state-owned enterprises and was more than double the minimum salary for civil servants. She said the availability of funds to increase salaries and benefits reflected the savings realized from reducing corruption and poor management—and highlighted the past magnitude of these problems.

#### *Shifting strategies: Becoming a landlord*

Sirleaf's decision in December 2007 to shift to a concession model altered priorities for reformers at the National Port Authority, even though the actual change was nearly three years away. Because the NPA would no longer operate the Freeport of Monrovia or collect revenues directly from customers, port authority managers and GEMAP controllers devoted less effort to frontline monitoring and collection of revenue and focused instead on building financial management systems, securing the Freeport and building staff capacity. Patrick Sendolo, head of the Port Reform Secretariat in charge of finding a concessionaire and a member of the government's GEMAP team, was pivotal in harmonizing GEMAP's immediate goals for reforms at the NPA with the secretariat's long-term plans.

The decision to privatize operations of the Freeport also altered plans to restructure the NPA

administrative chart. Earlier in 2007, the NPA had hired a consultancy to recommend a new managerial format. During the freewheeling post-war period, additional units with high-wage jobs had proliferated. The consultancy recommended rolling back much of this expansion, designed standardized tests for all port workers, and made recommendations regarding which employees had the skills for which departments and what levels of responsibility. A second consultancy, brought in to suggest a revised organizational structure in light of the NPA's new mandate, suggested eliminating several departments and most technical staff, reforms that the NPA gradually adopted.

#### *Financial management and procurement, 2009–2010*

In 2009, Parker, the managing director at the time, and Halbert, the GEMAP controller, set out to improve the quality of financial management and reporting, strengthen controls on procurement, and simplify the payment process for port customers. Until then, NPA workers had recorded financial transactions by hand on paper, a process that had undermined the credibility of financial statements and budgets. Employees made accounting errors, and files were lost or destroyed. As a result, the process of assembling financial information for annual statements was tedious, time-consuming and costly.

Halbert, a specialist in implementing financial management systems and producing policies and operational manuals, came to the NPA in early 2009 with plans to implement off-the-shelf business-accounting software to track financial transactions. The QuickBooks software contained internal checks to prevent accounting errors and performed automatic calculations that reduced the time it took to produce financial statements. Earlier, in 2007 and 2008, GEMAP officials Downing and Labonte had tried to introduce accounting software, but doubts had

arisen about the compatibility with other computer programs the NPA used and with the skill levels of staff at the port authority. Parker brought in a new NPA controller, Christina Paelay, to work with Halbert.

Halbert and Paelay took several steps to get the new system operational. They revised the organizational chart for the financial units under Paelay to match the terminology and processes under the new system. Halbert compiled operating manuals to guide workers. They trained more than 40 staff in how to use the software. Paelay said many employees were not accustomed to working with computers and feared that they would lose their jobs if they could not learn the system. She encouraged her staff, most of them younger than she was, saying that if she could learn to use computers, they certainly could.

With the new financial management system in place, the quality of financial reporting improved. Whereas 2008 financial reports had contained just four pages of financial information (which Parker said could not be reconciled), a standard report from 2011 contained 21 pages of financial information, much of it generated by the new software. The 2011 reports were more detailed in terms of the number of line items and specificity of types of revenues and expenditures, and in terms of additional explanatory information to explain variances. Parker said the additional financial information allowed the NPA to justify its financial position to its board of directors and to plan for the future with greater certainty.

Despite efforts to enforce procurement rules, loose purchasing procedures continued to create problems for the NPA. Parker prioritized transparency in the procurement process and introduced added safeguards. Although she banned communications between procurement staff and bidders during the selection process, she said she recognized the shortcomings of the rule. Reports and other items exchanged between the

NPA and businesses had to be delivered in person, for instance.

Parker took more concrete steps, such as instituting random checks of purchases. She assigned a person from her office to identify additional bidders and check their estimates against those generated by the procurement office. In doing so, she aimed to raise the level of staff responsibility in the bidding process. She said, "Sometimes staff were a bit lazy and submitted invitations to bid to the same companies every time and did not do a thorough job of finding new bidders." Additionally, to prevent such inertia and to prevent staff from developing relationships with bidders, she began rotating staff through the procurement office. She also increased the number of formal approvals necessary for NPA acquisitions. Requiring five senior managers to sign for acquisitions slowed the procurement process but also reduced opportunities for bribery.

To simplify the payment system, several agencies including the NPA, the Ministry of Finance and the Central Bank of Liberia developed a one-stop shop at the Freeport of Monrovia, completed in 2011. On behalf of their clients, customs brokers could pay all terminal fees to the NPA (through the Freeport's concessionaire) and customs to the Bureau of Customs and Excise, a unit within the Ministry of Finance, without going to each office individually. The new procedures cut the number of steps needed to clear a container from 36 to 15, sharply reducing processing times and costs caused by delays. The development of the one-stop shop was part of a larger reform process at the Bureau of Customs and Excise with the assistance of the United Nations Conference on Trade and Development (known as UNCTAD), that included the automation of customs payments and a color-coded ranking system to assess the risk of fraud by customers. The establishment of the one-stop shop simplified the payment process for customers and allowed customs brokers to track

the progress of their cargo from their computers, obviating the need to congregate for hours at the Freeport.

#### *Building human capacity, 2009–2010*

In addition to the dozens of staffers taught to use QuickBooks, the many other employees had a chance to learn spreadsheet software, port terminal management, secretarial skills, human resource management and trade law. The NPA also held workshops for drivers and operators, environmental protection officers and for heavy-duty mechanics and technicians. More than 500 training sessions took place in 2009 and 2010 alone. In addition, senior employees traveled to observe operations at ports in South Africa, Nigeria, Israel, Belgium and China, and to study finance and public administration at the Ghana Institute of Management and Public Administration.

Despite the training opportunities and higher compensation, absenteeism remained a problem. In 2007, Downing had assigned supervisors to monitor port entries to make sure employees signed attendance sheets only for the current day. However, personal relationships and entrenched practices limited the effectiveness of this move. Some supervisors allowed employees to sign for multiple days or lie about the time they arrived or left. In 2010, Parker introduced biometric identification cards as a security measure to monitor the movement of workers within the port. The biometric cards also allowed her to monitor the arrival and departure of employees. This ability to monitor staff arrivals and departures effectively put a stop to absenteeism.

#### *Security and infrastructure, 2009–2010*

Parker said that when she took over as the NPA's managing director in 2009, "Security was my top priority." Insufficient access controls at port entries often left cargo and ships vulnerable to looting. Still on the International Maritime Organization (IMO) blacklist and lacking

International Ship and Port Facility Security (ISPS) Code compliancy, the Freeport of Monrovia lost business to other ports in the region. Shipping companies that did patronize the Freeport incurred extra insurance fees and had to undergo costly additional inspections before they could berth at their next destination. Parker said, "We had an inspection coming in a few months (from the U.S. Coast Guard, representing the IMO) and it was crucial for us achieve compliance."

The ISPS Code did not state specifically the steps the NPA needed to take to remove the Freeport from the IMO blacklist, but Parker set out to upgrade the security infrastructure, with advice and support from the U.S. Coast Guard and UNMIL, to achieve ISPS compliance. She arranged to train more than 100 seaport police in ISPS rules and specialized maritime safety. She oversaw the writing of security plans and the installation of lighting, generators and closed-circuit television throughout the port, improved road access within the port to facilitate patrols, and began beach patrols to stop seaborne infiltrators. She strengthened access controls at the Freeport by increasing manpower at entry gates and issuing the biometric identification cards, and initiated mirror checks under vehicles and scans at all pedestrian gates.

In March 2010, the Freeport achieved compliance with the ISPS Code. The cost of shipping a standard 20-foot container dropped by US\$1,500, according to the NPA's 2010 annual report, because additional risk insurance was no longer needed. Additionally, with the Freeport on a par with regional ports in terms of security and accessibility, the Freeport could compete with neighboring countries as a leading port for shipments moving throughout the region.

## OVERCOMING OBSTACLES

Although the NPA was a significant source of revenue for Liberia's government as well as a

major employer, it was also a potential source of illicit profit for factions and criminal networks. As a result, political pressures weighed heavily on management. Several reform leaders made gains at the port authority but ran into political complications that cost them their jobs.

Close media coverage magnified disagreements that arose between port authority managers and GEMAP controllers regarding sensitive issues like layoffs or contract terms. In his role as a controller, Downing said he followed several different routes in trying to deal with such disputes. He might seek support from the U.S. ambassador or take his case directly to the public through the press. Non-governmental organizations such as Global Witness published reports on corruption that helped bring attention to the types of graft he was supposed to address in his position. If the disagreement couldn't be resolved in any other way, he said, he could block financial transactions by withholding his signature.

However, after scoring important policy gains at the Freeport that reduced opportunities for graft, Downing faced increased pressure from port authority managers. News reports in 2007 about the suspect procurement of a tugboat from a Ghanaian firm and the disappearance of two ships from the Freeport raised tensions at the NPA to the boiling point. In March, Managing Director Ngangana wrote a letter in the *New Democrat* newspaper calling for Downing's dismissal. The U.S. ambassador responded publicly in defense of Downing. Soon after, President Sirleaf stepped in and shifted both Ngangana and Downing to other agencies.

Tubman, Ngangana's successor, similarly made progress, including guiding the NPA through a wave of unpopular layoffs and putting a stop to the use of fabricated bank deposit slips, before continued corruption at the port authority undermined him as well. In 2008, Tubman repeatedly faced questions from reporters about

the alleged unauthorized sale of abandoned cargo at the Freeport. In September, Deputy Managing Director for Administration Mary Bloh, who later became mayor of Monrovia, discussed widespread corruption in an interview with *The Analyst* newspaper, citing in particular the NPA's purchasing department. Tubman himself conceded that corruption remained a major problem, and may even have grown worse, in an interview the same month with *FrontPage Africa*. Sirleaf dismissed Tubman and his deputies in 2009.

The arrival of Matilda Parker as managing director and Michael Halbert as GEMAP controller in early 2009 provided much-needed stability atop the NPA. The two said they had a solid working relationship. Progress toward privatizing operations at the Freeport also helped to reduce tensions between GEMAP and port authority officials. Because the port authority would have limited direct interaction with customers under the new arrangement, Halbert directed his GEMAP team to shift its primary focus from ferreting out minor corruption to developing financial management systems that would have a lasting impact on the NPA.

## ASSESSING RESULTS

Reformers made substantial improvements to the internal operations of the National Port Authority. With the assistance of GEMAP financial controllers, the NPA automated financial management systems that improved the quality of financial reporting and reduced opportunities for graft, implemented a range of controls to secure revenues and expenditures, tightened procurement procedures to eliminate overpaying for goods and services, and provided training and improved salaries and benefits for staff.

NPA revenues increased from US\$9.6 million in 2004 to US\$17.7 million in 2007 and fluctuated around that level through 2010.

Factors including the abandonment of cargo, sluggish development in export sectors and rising costs of imports affected revenues at the port. In the three years from 2008 to 2010, the NPA earned nearly US\$5.9 million in cumulative profits, driven by cost cutting and more economical use of resources including fuel and vehicles. The NPA used its profits to accumulate a surplus for major capital investments.

Container and cargo traffic increased at the Freeport as well during this period. In terms of 20-foot equivalent units (TEUs, a common shipping measure), traffic increased from 47,393 in 2007 (the earliest date for which reliable figures are available) to 53,438 in 2010. The total number of ships that entered the Freeport increased from 334 in 2007 to 438 in 2010. Because of the increased shipping traffic, the berth occupancy rate rose from 47.7% in 2007 to 63.1% in 2010. Imports rose in all categories, including dry bulk, liquid bulk, general cargo, containers and relief supplies.

Despite the increased traffic, the NPA made only modest upgrades to the infrastructure at the Freeport. Although the port authority upgraded the security infrastructure, arranged for dredging the basin, and improved the road network within the Freeport, it did not manage to remove most of the sunken ships impeding traffic in the basin, to repair the marginal wharf, or to acquire cargo-handling equipment. As a result, customers still faced delays. GEMAP controller Thomas Downing said that with proper financial management in earlier years, the NPA would have had the resources to make the necessary upgrades without assistance from donors. A private company that took over management of the Freeport in early 2011 committed to invest heavily to make the necessary upgrades.

## REFLECTIONS

The experiences of the Freeport of Monrovia after 2006 helped fuel discussions about the utility

of Liberia's Governance and Economic Management Assistance Program (GEMAP) and the use of external controllers, who were, in theory, less vulnerable to political and criminal pressures, to help restrain the diversion of funds.

Between 2006 and 2008, GEMAP officials at the port devoted significant resources to fighting corruption. Thomas Downing, GEMAP controller at the National Port Authority from 2006 to 2007, noted that the scope of corruption across the NPA threatened to undermine all areas of reform. He said, "I really didn't know what to expect when I came. I continue to marvel at how fundamentally corrupt the organization was." However, despite notable achievements, the focus on corruption drained the time and resources of GEMAP staff early on and may have contributed to slow progress on other fronts including the development of financial management systems and new operating manuals for the Freeport. Disputes between GEMAP officials and NPA management over reforms and the frequent turnover in personnel also presented obstacles to progress.

Gylfi Pálsson, the World Bank's lead transport-sector specialist for Liberia, who supported the plan to privatize operations at the NPA and advised the Liberian government in that process, credited GEMAP with some successes but argued that the program addressed only "the symptoms of corruption and not the core problems." Initially, he said, "The World Bank management felt that GEMAP *was* the solution to lessen corruption. I said, 'You'll constantly be chasing your tail. You'll never get at the real problem by fighting pockets of corruption. ... Someone always has a bigger interest in getting money for his family than the interest of some foreign donor and its system [of controls].'" He endorsed comprehensive reform of the NPA from the beginning, including a public-private partnership for the Freeport's operations, which he termed "radical surgery on the port sector."

Downing pointed out that GEMAP controllers at the various government ministries and agencies encountered many of the same problems that were experienced at the Freeport, but there was no forum in which they could share ideas for solutions. He said, “Each of these 11 [controllers] were left on their own and didn’t benefit from the experiences of the others, even though we had the same challenges.”

Matilda Parker, managing director at the NPA from 2009, reflected on the political nature of reforms at the NPA and the political sensitivity of her position. In a meeting with President Ellen Johnson Sirleaf in 2009, Parker recalled, the president told her: “Your position is similar to mine. You touch the lives of everyone. You must approach issues with a sense of equity.” Parker said she soon realized that “running the port is running the economy. You must bring in businesses and legislators to participate in and see the reforms.”

Grace Tee Kpaan, former head of the Dockworkers Union of Liberia, described the progress of reforms at the NPA as slow but steady. “There was a time at the port when customers would have cargo stolen, when staff didn’t perform and just came to collect their salaries,” she said, “but things are getting better ‘small small,’ little by little.”

## EPILOGUE

In October 2010, the Liberian government awarded a 25-year concession to operate the Freeport of Monrovia to APM Terminals, an independent business unit within the Dutch-based A.P. Moller-Maersk Group, one of the biggest shipping companies in the world. Under the agreement, the National Port Authority reduced staff levels below 400. APM Terminals provided US\$2 million to the laid-off staff in severance packages.

Gylfi Pálsson, the World Bank’s lead transport-sector specialist for Liberia, said that

because of APM Terminals’ interest in expanding its operations in the region, the government of Liberia received favorable terms in the deal. For example, as part of the agreement, APM Terminals committed to invest \$120 million in infrastructure at the Freeport.

Just a few months after the contract took effect in February 2011, new construction was evident at the Freeport, including the removal of warehouses that had interfered with operations at the quay and reconstruction of the dangerously eroded marginal wharf. APM Terminals brought in much needed cargo-handling equipment, and productivity of cargo-handling staff increased sharply as a result, from a range of two to nine moves per crate per hour in previous years to 18 moves per crate per hour by May 2011, according to Pálsson.

Gbelly Barmor, president of the National Customs Brokers Association of Liberia, credited APM Terminals with improving operations at the Freeport. “With APM Terminals, you pay their fees and they load the cargo on the truck,” he said. “We don’t have to go down there anymore.”

The NPA became a landlord at the Freeport of Monrovia, with the responsibility to manage the grounds, including its roads and leases of land to private companies. The agency was also the regulator of the concession, monitoring activities at the port to ensure APM Terminals accurately reported shipping data and transferred the appropriate fees. Although some observers raised concerns in September 2011 that the NPA was not yet capable of effectively verifying APM Terminals’ shipping data, the same critics noted that the agency was taking steps to deal with the issue.

Media and other observers also raised concerns about higher terminal fees for food and construction materials that accompanied the concession. Although terminal fees for rice, frozen fish and meat—staple foods in Liberia—all rose, the increases had been discussed during

negotiations for the concession. Patrick Sendolo, head of the Port Reform Secretariat, said the Liberian government had conducted studies of the effects of higher terminal fees and found that the new rates would not significantly affect the retail prices of goods in Liberia. Speaking in 2011, he said that to date, “I had not seen any serious study or assessment establishing that the rise in commodity price is not a reflection of a global trend or that there is a causal link between the port agreement and commodity prices. Such a study, if it is available, would be welcomed so that any appropriate measures can be taken by the government.”

Simon Waterman, operations manager for APM Terminals at the Freeport, said that despite the rise in terminal fees, shipping costs had fallen since the concession because of increased productivity and reduced corruption.

While transitioning to a concession model at the Freeport of Monrovia, the NPA made progress on developing its three outports at Greenville, Harper and Buchanan. The port of Buchanan attained Level Two ISPS compliance in 2010, meaning some additional security checks remained necessary. Still, the upgrade marked the reduction of a significant barrier to attracting shipping companies, and cargo traffic increased at the port. The development of a second port that could absorb imports of food and fuel reduced the potential damage of a disruption at the Freeport.

Additionally, the NPA reopened the southern port of Harper, and was set to reopen the port of Greenville by the end of 2011. Those ports were strategically located to support the export of timber and other natural resources. The development of the outports was a significant step forward for Liberia’s nascent economic recovery.

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