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AND PUBLIC SECTOR INVESTMENT PROGRAMMING"**
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**SEMINAR ON PROJECT DATA BANK AND
PUBLIC SECTOR INVESTMENT PROGRAMMING**

**ISSUES, IDEAS, CONCLUSIONS AND
RECOMMENDATIONS**

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PROJECTS AND ADVISORY ASSISTANCE PROGRAMME

**ISSUES, IDEAS, CONCLUSIONS AND
RECOMMENDATIONS**

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* The views expressed in this document, not submitted to editorial revision, are the sole responsibility of the author and do not necessarily coincide with those of the Organization.

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ISSUES, IDEAS, CONCLUSIONS AND RECOMMENDATIONS**

1. INTRODUCTION

1.1 The Seminar on "Project Data bank and Public Sector Investment Programming" was held at the Jamaica Conference Centre in Kingston, Jamaica from 22 to 24 November 1991. It was organized by the Economic Development Institute (EDI) of the World Bank, the Latin American and Caribbean Institute for Economic and Social Planning (ILPES) and the Economic Commission for Latin America and the Caribbean (ECLAC). Participating countries were: Barbados, Belize, Colombia, Chile, Dominica, Jamaica, Montserrat, Puerto Rico, St. Vincent, Trinidad and Tobago, U.K. Virgin Islands and Venezuela. Representatives from the United Nations Organization (ECLAC, ILPES, UNDP, UNFPA) and from specialized organizations (World Bank, IDB) participated by presenting institutional papers, performing resource functions and sharing experiences and pertinent insights.

1.2 The central purposes of the Seminar were:

To promote a pragmatic, analytic and action-oriented approach to resource allocation, decision making and related functions of development management. It sought to strengthen the basis and the environment for continued dynamic exchange of development experiences within the Latin American and Caribbean Region.

To this end the seminar process was perceived as having four phases:

(a) Seminar preparation, which involved an analytical paper on public sector investment planning and/or project cycle management in the country of each participant;

(b) Seminar participation by public officers from agencies responsible for finance, planning and development;

(c) Completion of action plans by participants;

(d) Follow-up of the seminar by participants as part of the network supporting future activities for improvement in the management of public sector investment.

1.3 Objectives of the Seminar were:

To examine the potential role of the Project Data Bank (PDB) as:

(a) an efficient and effective tool for economic management; especially as a link between the Macro Planning, Public Sector Investment Planning/Programming (PSIP), Budgeting, Project Investment and Project Monitoring systems and processes.

(b) a useful means of determining the extent to which investment 'on-the-ground' reflects plan proposals on the basis of such criteria as sector emphasis, project design, location and other relevant indicators of social and economic development policy.

1.4 The Project Data Bank and its logical structure is based on the project life cycle and is an aid to efficient and effective project cycle management (PCM). PDB and project life cycle functions and processes are instruments of (and not replacements for) socioeconomic planning; and in conjunction with the public sector investment programming and budgetary processes, are integral to the development management function.

The PDB is a mechanism designed to register data and information on public sector investment projects, and to trace their progress through all stages of the project cycle, including implementation and post-implementation evaluation. While the project proceeds along the project life cycle, personnel must input the relevant information of each stage. The PDB is essentially a filing system aimed at standardizing and organizing relevant information about public sector investment programming. In its computerized form it handles considerable volumes of data, permits the easy generation of standard reports and facilitates (after some training of the user) a range of interactive data queries to rearrange, display and print data to reports ("hard copy" or to ASCII¹ text files) without changing the original facts and figures of the database. The hardware (the computer and supporting equipment) and software (programmes used for the creation and management of electronic databases) must be appropriate to the volume of information to be registered and the level of sophistication of the system required by each country situation. However many personal computers (Pcs) and "off the shelf" software permit varying intensities of utilization according to the needs of a specific country or a group of countries.

¹ American Standard Code for Information Interchange.

Information placed in the PDB system may include data extracted from various sources such as policy guidelines, general development and investment feasibility studies, and from programme and project documents of the public sector. The PDB therefore, brings together in one database system, aggregative information on major factors of national economic activity and project-specific details (macro and micro level information). The PDB information-mix may include for example, actual and projected Gross Domestic Product growth rates, actual and projected national employment growth rates, debt and debt service ratios, central government fiscal data, population data and other macro-information; at the sectoral level data could include items such as sectoral output and sectoral employment growth rates, and at the project level there could be data on the impact of projects (actual and/or projected) on debt repayments, on employment by territory or municipality, on household income and on other micro-data. The PDB system has the potential to generate information (for example on national income, savings, investment, employment or export targets) through data analysis and synthesis, which may be used to guide sector planning, budgeting and project appraisal and design. In turn, information acquired by the PDB from the project life cycle, budgeting and sector planning processes may be utilized to inform policy dialogue and formulation.

The PDB may be utilized at the national, territorial, municipal and sectoral levels. At the national level however, particularly in the case of large countries, the PDB could become unwieldy because of the volume of data. The PDB was considered to be especially manageable and useful at the sectoral level.

The PDB's main objective is to support the decision making process regarding public sector investment and to provide information on the PSIP as a whole, and on each one of the institutions involved, in a permanent and dynamic way. Ideally the PDB will provide detailed information about each one of the projects, their estimated effect on selected macroeconomic variables and the expected impact of the socioeconomic environment on pivotal efficiency and effectiveness aspects of the projects themselves. As the database grows and user expertise develops, this information system, through the delivery of timely information, will help to improve the programming and execution of tasks.

In general the PDB is expected to improve development management through strengthening coordination between the various institutions participating in public sector investment programming and in budgetary and project life cycle functions. The processes of the PDB emphasize the inter-relationship between systems and facilitates a better understanding of the need for closer coordination between day-to-day administrative functions of public business and investment programming and the detailed and timely follow up of public sector projects.

1.5 A number of benefits may be expected from the PDB by either large or small countries:

(a) The development or enhancement of project appraisal methodologies and (given that the necessary training is realized) the production of projects with positive socio-economic rates of return;

(b) Improved inter-institutional coordination through the availability of, and accessibility to, updated information on projects;

(c) Better physical and financial monitoring of project implementation and therefore potential improvement in the timely adoption of measures for ensuring that each project achieves its aims;

(d) More informed negotiations of grants and loans from bilateral and multilateral development agencies and financial institutions;

(e) More informed policy dialogue and formulation, development planning, programming and project design which also takes into consideration the needs of regions territories and municipalities.

2. KEY AREAS COVERED AND IDEAS EMERGING DURING THE SEMINAR

2.1 The nature of the present world environment and some implications for Caribbean and Latin American communities

This initiative on the PDB comes a time when Latin American and Caribbean countries and their regional institutions need to strengthen their capacities to analyze, formulate and implement policies, programmes and projects which will stimulate private sector investment, enhance economic growth and development and maintain harmony with the natural environment.

Sustained economic growth and development in the region over the decade of the 1990s will become increasingly difficult. Competition is becoming intense for investment and markets throughout the world economy as trade-based, market-oriented economic growth models are being adopted by an increasing number of nations. Market relationships are also changing as a result of the North American Free Trade Agreement (NAFTA), the Single Market European Economic Community, the formation of new trade blocs and the rapidly changing face of Eastern Europe.

Our countries - particularly the Caribbean economies - face structural constraints such as limited natural resources, dependence for foreign exchange earnings on a few economic activities such as tourism, data entry (or key-board) services and agriculture, and remoteness from many major markets. They, therefore, must enhance the efficiency and effectiveness of their use of domestic and foreign investment financing and related resources. In so far as macroeconomic and sectoral policies and inefficiencies in resource allocation exacerbate these realities, the governments of the region will find themselves increasingly disadvantaged in their attempts to attract bilateral and/or multilateral grant and loan funds for development investment. Should the investment climate be weakened, then private sector investment financing will also become increasingly difficult to attract into Latin America and the Caribbean.

2.2 A concept of development appropriate to the ECLAC region

A primary factor in the framework for the seminar was the nature of development. Perceptions of what development entails significantly influence the processes of analysis, diagnosis of weaknesses and needs, identification of realities confronted by (and often exacerbated by) structural adjustment programmes and the design of practicable alternative approaches to these challenges.

It was considered that "development" could usefully be viewed as the process by which nations secure the right to self-determination and self-reliance; it is a multidimensional process involving major changes in social structures, popular attitudes and national institutions, the reduction of inequality and the eradication of absolute poverty. The term also means the acceleration of economic growth and "sustainability" which requires acknowledgement of the interdependence of systems (e.g. natural, social, economic and political) within the economy and in the world as a whole.

2.3 Public sector investment programming

The Seminar examined the significance of integration of policy and project analysis to efforts at optimal allocation of resources between policy reforms and projects. In practice a general equilibrium approach may not be realistic; governments may have to be satisfied with a middle way between partial and fully integrated frameworks. Hence a practical choice could be an eclectic one, i.e. the tracing of the direct and indirect repercussions of inputs and outputs of projects and policies. Adoption of this practice should help to improve the empirical and analytical content (and the synthesis) of project and policy evaluation.

2.4 Budget programming and efficient public expenditure management

The budget is a powerful tool of management, and budgeting should be utilized as an annual process involving continuous decision-making throughout the year and their monitoring and evaluation.

Budgetary programming and public investment planning are unique in important respects, nevertheless they are both functions of management and complement each other. They may be perceived to be on a continuum with common ground in the middle zone. To a lesser or greater extent they both are required to coordinate macroeconomic objectives and policy with programme and project management both in the long and short term. They both involve varied participants with different backgrounds, training, outlooks and goals. The budgeting process however has a most direct and 'final' impact on public investment and managing the environment; though the ability to control outcomes (as distinct from outputs) is limited and unpredictable.

For budgets to work according to the principles of unity, annuality, appropriation and audit requires the adoption of fundamental reforms by many of the region's public administrations. Performance and programme budgeting, which respectively focus on activities and programmes for costing and allocating resources, has been pursued with varying efficiency and effectiveness by various countries in the region. Alternative management approaches therefore were considered. One was essentially a management by objectives strategy which has at the center well-informed policy formulation accomplished in the context of wider systems. It requires a discretionary management style, and performance appraisal and reward systems which are based on the setting and achievement of objectives in the most efficient manner possible. Information gathering, analysis and dissemination are critical to this approach.

The other approach seeks to ensure implementation success with the authority of legislative instruments to direct the integration of financial management processes with those of public sector management as a whole. The emphasis is on integration, on information flow and on creating the environment which will encourage the release of stakeholders' latent motivational energies.

The basic questions remain however, and the choices must be made by the respective stakeholders on the basis of their understanding of the needs and capacities of their communities: How may budgeting be strengthened to support public sector investment planning; And vice versa? What resources are needed and what steps should be taken?

2.5 The experiences of Latin American and Caribbean Public sector administrations

The smallness of economies exacerbated the negative impact of the scarcity of resources and heightened the need for careful analysis, diagnosis and the selection of choices. In particular it emphasized the wisdom of a phased approach to the establishment of a comprehensive PSIP and Project Data Bank system. These small public administrations often rely on single-person functional units, so that common problems and constraints in the preparation and implementation of the PSIP and in managing the project cycle become major impediments to efficiency. Additional duties in such a condition could therefore become particularly burdensome if not carefully allocated and scheduled.

In very small states as with other countries, a primary role of the political directorate is policy formulation; however, Cabinet members perform functions similar to those of private sector managing directors. Hence the effectiveness of the PSIP and Project Data Bank systems requires that these processes have the active participation of the political directorate in addition to the senior management and staff of core and line ministries, and of private sector employer and worker agencies.

An additional common issue which becomes magnified in such an environment is the need to deal with a number of finance institutions and aid donor agencies, diverse classification methods and weak decision-making, particularly with regard to prioritization of projects at ministry and national levels. These problems derive from institutional and human resource inadequacies. Strong external influence on the selection of priorities may redirect the PSIP and force significant modifications to policy or inconsistency between project design and expressed policy. High priority projects often get delayed if they are complex and require special expertise for design and implementation; projects of lower priority rating are implemented. The composition of the PSIP is influenced by the purposes for which (largely external) resources are available.

Where countries are large and administrative structures contain several levels of government - national, regional, territorial and municipal, the structure of the management information system and the administration of the system will be rather more complex than in smaller geographic circumstances. The issues however, were considered to be essentially similar, though differing in magnitude and specific peculiarities. The principles were applicable to either group and their several experiences were of relevance to all countries.

2.6 Institutional environment and capacity-building requirements for efficient project cycle management

The environment affecting efficient and effective Project Cycle Management was influenced by a number of considerations. A critical "bottom line" element was political commitment or "will". This attribute itself is a function of many factors, some of which are: (a) the constitution and system of government; democratic systems (especially those with a Westminster tradition) require that the political directorate must listen more attentively to the 'voice of the people'; (b) the mood of international partners in development and their own perceptions of individual rights vis-à-vis the responsibility of the State; (c) the power of the Trade Union movement; and (d) the influence of a wide range of domestic and international non-governmental organizations. Other critical factors are the level of institutional and human resource capacities in core and line ministries; the efficiency of technology transfer efforts, the quality of information flows and of systems for, and commitment to, accountability.

2.7 The use of macroeconomic models in the Small Island States: The Jamaica experience

Macroeconomic models are useful in providing some insights into the performance of certain phenomena and relationships of the economy. It must be always kept in mind, however, that the use of these tools of analysis, diagnosis and projection are constrained by inadequate information, the uncertainty of the impact of policy instruments and project investments, and the need for functional relationships to be pared to what is considered by the architects as essential elements determining particular phenomena. Nonetheless models can be effectively used for forecasting and for informing the design of economic policies, plans, programmes and projects.

2.8 The Project Data Bank and Public Sector Investment Programming

The growth rate of a country depends, among other factors, on a good assignment of public sector investment resources.

Difficulties with respect to public sector investment programming were seen to occur through such causes as the shortage of trained personnel, non-standardized project appraisal methodology, inadequate institutional framework, lack of timely information, poor accountability, deficient or non-existent procedures and inadequate project selection criteria.

The PDB is expected to facilitate the following functions and activities: pre-investment planning, investment programming, the identification of relations between projects, project ranking, follow up control, ex-post evaluation, the analysis of alternative scenarios, inter-institutional coordination, the negotiation of loans or grants and efficient and effective decentralization.

The PDB requires the assignment of institutional responsibilities for: methodological development systems, administration, training programmes, the establishment of procedures for periodic updating of the information, distribution of reports and setting levels of access to the system. Rules and regulations also need to be established for managing the Project Data Bank.

The PDB may be structured as a Centralized or as a Decentralized Information System. The former structure would have one database managed centrally by a main computer system. Users would be served through peripheral terminals or personal computers connected to the center. The other approach would use a master database that would be updated from the databases, with compatible structure, managed in line ministries or regional, territorial or municipal planning offices. Some of the advantages and disadvantages of each approach are as follows:

(a) Centralized structure

Advantages include:

- Greater control
- Information is not duplicated
- Easy access to all information

Disadvantages:

- Higher investment costs
- Higher running costs
- Greater opposition to the system
- System failures at the center affect all users

(b) Decentralized structure

Advantages:

- Lower investment costs
- Lower running costs
- Greater acceptance of the system - the structure and methodologies for data entry and information management permit greater active participation of stakeholders

Disadvantages:

- Difficulties in updating data simultaneously in all databases
- Duplication of data is more likely to occur.

The PDB may be viewed as composed of modules. Some of these are the pre-investment module, the project follow-up module for physical and financial monitoring and the technical assistance (TA) module for information on TA projects and donor profiles. Special applications for purposes such as the registering of macro impacts and for investment programming may also be incorporated as users become increasingly familiar with the system.

The PDB is a major component of the Public Management Information System. The other integral parts are:

(a) Methodologies, relating to Project Cycle Stages and their Management. This in turn requires lucid understanding of the development paradigm being applied to the particular economy, the development policies and the (explicit or implied) shadow prices utilized in feasibility studies and project appraisal.

(b) Training on the use of the entire management information system at three levels:

- The basic or operational skills in project profile appraisal, system procedures and the use of hardware and software;
- Intermediate knowledge and skills at the prefeasibility level of project appraisal;
- Advanced technology transfer so that local capacity is enhanced to develop the system and new methodologies, estimate social prices, solve major system problems and develop new applications.

(c) The institutional and legal framework which will assign institutional responsibilities for such functions as methodological development, administration and the management of training programmes, establishing procedures for the periodic update of the information, undertaking distribution of reports and providing for appropriate levels of access to the system.

3. PRINCIPAL ISSUES

A number of issues were identified from the institutional documents and national papers and from the ensuing discussions during the seminar. Principal areas of interest are presented below.

As far as practicable, items in this and the next section (Conclusions and Recommendations) are grouped in the following categories based on their main characteristic or emphasis:

- General Framework and considerations;
- The Management Information System - Project Data Bank, and methodologies, procedures, rules and regulations;
- Training and technology transfer;
- Supporting factors, political elements, institutional development and coordination.

This disaggregation is artificial because of the strong interdependence of elements of Public Sector Management systems, however it is utilized to facilitate scrutiny. In some cases, elements with mixed components have been allocated to a particular category in the interest of emphasizing relationships.

General framework and considerations

3.1 Project design, project selection and competence of public officers in project appraisal and development are all linked to the issue of the role of the State. Many of the Caribbean States have an embryonic and weak private sector. Some participants held the view that central government in such a circumstance had an entrepreneurial function to complement fiscal and related investment directed at creating the enabling environment for private sector initiatives.

Where the achievement of policy objectives was jeopardized by inadequate capacity of the private sector to make timely and effective use of the environment provided by Government, it should temporarily engage in joint ventures to provide the support required to initiate essential investment. This notion raised some corollary issues, viz.:

(a) Can the authorities ensure that policies, instruments and programmes will quickly be put in place to create the environment conducive to strengthened private sector confidence and investment activity?

(b) Will the authorities establish an efficient and effective mechanism and schedule for very expeditiously extricating itself from entrepreneurial functions and for divestment of ownership to the private sector? Such mechanism must form part of any joint venture arrangement with the private sector.

(c) How can the Caribbean countries establish common ground with their bilateral and multilateral partners in development, who hold to the position that government's role is that of providing the enabling environment, and that private sector non-response or sluggish investment reaction reflects the primary cause, viz., inadequate domestic policies and policy instruments and central government administrative inefficiencies. The type of paradigm which would give rise to this view would also encourage inadequate perceptions of development processes. It would exclude, or at least reduce the significance of, such realities as the need to create or strengthen entrepreneurship, the challenge of transforming distributive establishments into export trading enterprises, and the negative impact of some elements of the extraregional political economy, international trade arrangements and administrative barriers to trade. This observation in no way seeks to reduce the importance of sound fiscal policy formulation and implementation, and related efficiency principles.

Responses to these issues would have implications for the composition of public sector project finances and an expanded role for the private sector in the processes of policy dialogue and formulation and in the PSIP, Budget and PDB systems.

3.2 PDB can assist policy analysis, dialogue and formulation - however, we need to determine what mechanisms will encourage decision makers at this level to support the establishment of, and utilize, this powerful source of information.

3.3 A major theme of the seminar discussions was that the successful introduction of the PDB as an aid to public sector investment programming required more than files and computers. Several additional components and supportive systems are needed.

3.4 Structural adjustment programmes presented special difficulties to efficient and effective utilization of the PDB, management of the Project Life Cycle and Public Sector Investment Programming. In particular stabilization/demand management requirements often obstructed the implementation of development-oriented activities and investments. Some of these supply side elements are the provision of much needed physical infrastructure, necessary but costly expenditures on education and health facilities, and adequate remuneration of skilled personnel. It was considered essential to keep always in mind during analysis, the inter-relationships between economy-wide structural adjustment efforts and implied complementary activity such as sector

adjustments and compensating programmes to reduce the impact of adjustment measures on the vulnerable and to avoid social unrest. Adjustment also means costly reforms to the organization and management structure of the Public Administration. Administrative Reform Programmes in very small states will improve the efficiency and effectiveness of government responsiveness to the needs of the community; however, given the initial staffing and remuneration inadequacies, these efforts to improve public sector performance are likely to raise the wage bill. This dilemma reflects the potential for conflict between line and core ministries and between the departments responsible for establishment and personnel, planning and development, and finance.

3.5 A fundamental concern was the provision of adequate financing (at a sustainable expenditure or cost level) for creating an environment conducive to private sector investment. This issue emphasized the intricate nature of policy formulation and execution in the context of requirements for fiscal incentives to private sector investors, constraints on expenditure imposed by demand management arrangements and the need to develop the embryonic physical (and institutional) infrastructure of many of the region's economies. Individually, policies may have beneficial potential, but they can and often do have negative impact on each other. The policy process involves 'trade off' where potential conflicts are to be minimized and potential complements strengthened.

3.6 The issue relating to the economies or diseconomies of small size received examination. It was the view that most of the strategies presented by the larger countries were applicable (with caution), to the smaller systems and that their careful use would make for improvement in PCM and PSIP systems. Components of the PDB associated with regions, territories and municipalities may not be necessary for countries of very small geographical area. Specific strategies, legislative instruments, procedures and methodologies may have to be refined and redesigned in accordance with the circumstances of the smaller community.

The Management Information System - Project Data Bank, and methodologies, procedures, rules and regulations

3.7 The appropriate program of action for the introduction and institutionalization of the PDB system received attention. This would be influenced by the mode in which the PDB was designed to perform. Some considerations were:

(a) The manner in which data are to be captured; either on specially designed input forms or by skilled direct input to the database utilizing existing formats and filing systems;

(b) The type of data and level of detail required;

(c) The stage of preparation and other criteria which are to filter ideas and project profiles into the PDB;

(d) Whether the PDB will be a distributed database or centralized;

(e) The roles for which core and line agencies are perceived to be responsible.

3.8 An important question was whether the PDB was to be introduced after most prerequisites were in place or whether an immediate start should be made and the system expanded as user expertise improved. Certain basic procedural rules however, were beneficial. For example, it would be advisable to establish either fixed dates or intervals for the updating of the main database. In decentralized systems this requirement is particularly important. Initially, the system should require simple methodologies, free of complexities and easy to comply with or operate. In this way it would be effectively used by public officers involved in the processes of project formulation and appraisal, and of public investment programming and budgeting.

3.9 In most countries represented there was a lack of projects that could be offered for financing. There were also few ideas available for appraisal and inclusion in the project list. There were considerable delays during project design and implementation and often there was inadequate information as to the particular stages at which these delays occurred most and the reasons for these delays.

3.10 There was an apparent (or real) over-emphasis on large infrastructure projects. This often reflected a weakness in appraisal capability and inadequate systems and/or mechanisms to relate decision-making at the PSIP and PCM level to macro-policy and strategy.

3.11 Many countries suffered from the postponement of projects in the so-called "social" sectors; this was considered to be linked to the following factors, among others: (1) Demand management and other stabilization considerations of Structural Adjustment Programmes, whether self-imposed or required by bilateral agencies or international finance institutions; (2) Inadequate analytical capacity in the respective countries; (3) Weak or non-existent systematic, and informed decision making processes - decision procedures therefore, do not explicitly link project selection and design to development objectives, policies and programmes.

3.12 A major weakness in project preparation and appraisal was the absence of the financing requirements of projects for operational and maintenance activities. This element and the consultation procedure it would promote, was considered to be essential for the effective linking of the processes of project development, budgeting, and public sector investment programming.

3.13 Participants acknowledged the usefulness of models to cut through the complexities of the real world; to determine and work with the essential elements which interact in economic growth processes. However concerns were expressed on the following matters:

(a) Models that can be manipulated in a practical way, continue to suffer from over simplification of the real world. In any case they often reflect a particular perception of the growth process; there is the risk of "fitting" the economy to the model.

(b) Model building requires very specialized expertise, which most underdeveloped or developing countries do not have, or have in only limited quantity. Technical assistance may be utilized at the initial stages but for a model to be useful it must be managed and manipulated and updated on an ongoing basis by the primary stakeholder. This is of particular relevance to very small economies;

(c) Models require a strong and dynamic information base, which by definition underdeveloped countries do not possess. Weak information systems may in fact be considered an indicator of underdevelopment;

(d) Models require a significant level of sophistication in public administration in order to have a real impact on decision-making;

(e) On the positive side, the discipline and analysis required by model building acts as an aid to improving institution strengthening, human resource development and the determination of new approaches and procedures.

Training and technology transfer

3.14 Participants acknowledged that the quality of the results obtained with an information system depends on the quality of the data and information placed in its databank. A PDB's effectiveness is dependent on, among other things, the methodologies and quality of project appraisal, training in project appraisal, training in project control and follow-up and training in management and administration of the personnel responsible for the steady state (the day-to-day administration of public business) in the core and line ministries.

Existing training institutions seem to turn out graduates with knowledge but not with the complementary skill. This emphasis on skills development is critical to economies which must improve their competitiveness, change the present mix of products and services in which they have a comparative advantage and cultivate and maintain a high level of flexibility to deal pro-actively with changes in the world economic and political environment.

A corollary issue is how do these countries improve allocation of scarce resources between these "softer" elements of development and other investments which are seen to be more directly economic growth oriented, income generating, visible and politically rewarding, e.g. in such areas as physical infrastructure, tourism, agriculture and manufacturing.

Supporting factors, political elements, institutional development and coordination.

3.15 The PDB system requires a set of prerequisites or supportive services, policies, processes and management practices for it to have the desired effect on efficiency and effectiveness. Are these requisites to be provided before work commences on the establishment of the PDB or are the gaps filled "as we go along", and so benefit from 'learning by doing'? Design insights from this second approach could be generated from direct user and other stakeholder experiences.

3.16 A fundamental issue arising from many presentations and discussion was how to coordinate development policy, PSIP and the project development process with the multi-year public investment plan, and all of these with other important instruments of development management, such as the annual investment plan and the recurrent and capital budgets.

3.17 Participants recognized the central importance of the components identified for the public Management Information System (MIS) of which the PDB is a prime performer. However the discussions highlighted a number of essential supportive requisites for the efficient and effective use of the MIS and the PDB in particular.

The essential supportive functions for the efficient and effective use of the MIS included the following:

- (a) Macroeconomic projections;
- (b) Follow-up and budgetary control systems;
- (c) System for allocation of the budget between "productive" and "social" sectors;

- (d) System for developing investment programmes reflecting macro development policies;
- (e) System for policy dialogue, analysis and formulation.

Application of PDB effectively requires decisions with respect to:

- (a) Prioritization of sectors and projects (projects require ranking at both the sectoral and national levels);
- (b) Coordination of Foreign Aid;
- (c) Improved coordination, monitoring and control of investment by public enterprises.

3.18 How do public officers encourage or otherwise strengthen the "political will" necessary for the performance of responsibilities such as setting investment priorities? What are the ways and means, procedures, mechanisms or management style to be used?

3.19 A concern was that senior management and decision makers did not consciously acknowledge the need for, and actively seek, the type of information that would be provided by the PDB as an aid for rational decision-making.

3.20 In many of the countries of the subregion there were insufficient competent negotiators of external funding for public and private sector investment - grants, loans and joint ventures.

3.21 Many of the stakeholders in core and line ministries (especially in small administrations) who have a major role in the establishment of the PDB were overloaded with day-to-day operational and 'fire fighting' activities.

3.22 There was generally inadequate coordination and joint action by Finance and Planning Agencies in managing the PSIP and Budgeting functions of development management.

4. CONCLUSIONS AND RECOMMENDATIONS

General framework and considerations

4.1 It is useful to view the functions of the public sector to be comprised of decision-making, (political directorate and senior public officers), execution (senior public officers and support personnel), and coordination (advisory facilitator services). This disaggregation of the development management function assists analysis, institution building, human resource development and related activities at the organization level. However for effective management their inter-relationship and inter-dependence must be kept to the fore. It is this latter view which will have considerable impact on the process of analysis, the diagnosis of inadequacies and the design of alternative choices for change.

For similar purposes the technical, economic planning and budgetary subsystems may be viewed both as individual elements and as components of the whole management system.

4.2 The project development, PSIP and budget processes must be undertaken within the framework of domestic policy and the wider world economy with particular regard for policies of the region's trading, technical assistance and finance partners.

4.3 Policies, strategies and mechanisms must be established to link development policy and the policy formulation process to the PSIP and PCM process and to link steady state functions to their investment complements.

4.4 Programmes and projects should be so designed as to concentrate scarce human, financial, physical, time and other resources on a short list of prioritized projects, and deal with each endeavor in greater depth over a longer period of time.

The Project Data Bank and methodology - Rules and regulations

4.5 The time-frame for implementation of the PDB (and other projects) must be realistic or frustration may be caused by too optimistic (or impracticable) a set of targets. The actual schedule will be influenced by the supportive changes which must be effected, their sequencing and the time estimated for the implementation of each. For example, a number of the changes relate to attitudes, motivation - and the creation of an environment conducive to the release of latent individual energies, modification to established procedures and introduction of new ones, which change formal and informal power structures. All such factors must be taken into consideration and sufficient time and other resources appropriately allocated.

A reasonable time-frame for introduction of the PDB may range from two to five years depending on the size of the country and the complexity of the version, the rate of internalization, essential prerequisites and other factors.

4.6 Development of a procedural manual was considered to be important. This handbook would need to be so designed as to be comprehensive enough to permit advanced use of the system but at the same time simple enough to meet the needs of the newly initiated.

4.7 Classifications of project status and of inputs (object categories) must be standardized not only within a single country but at the regional level. This would facilitate, efficient tracing of the progress of projects, consistent estimates, comparative analysis and the establishment of databases at subregional and regional levels.

4.8 The PDB must be able to provide graphic presentations of information to facilitate use by the political directorate and senior management.

4.9 The PDB must include procedures, reporting obligations and other components that help to link it to other public sector information systems. These include the financial flows of projects which are usually monitored by the Ministry of Finance's budget monitoring system and the Technical Assistance Programmes monitored by the Personnel Department or other agency responsible for coordinating technical cooperation. The design of the PDB therefore must take account of facilities for exchanging data with these other systems. Hardware and software compatibility is critical; also for the medium and longer term, the organizational structure of the public administration may benefit from review and reform to more closely integrate these information systems.

A related recommendation is the expansion of the PSIP and capital and recurrent Budgets to capture information on statutory bodies and public companies.

4.10 The seminar recognized the need for more efficient procedures, forms and equipment; however, it was also acknowledged that in order to encourage participation and the internalization of the system there was need to also build on existing administrative processes, forms and decision-making practices.

4.11 A particular consideration was the initial loading of the information into the PDB. In this regard approaches which encouraged stakeholder active participation in the design and development of the system would be preferred. This would enhance motivation which is essential at these early stages, especially during implementation, as the workload will be increased in the participating ministries/agencies.

4.12 Sector ministries/agencies which suffer from severe weakness in human resource availability should receive assistance from the core ministry responsible for introducing and managing the PDB. Initially this service may have to be comprehensive; for example, skilled personnel equipped with laptop or notebook computers could assist their sector counterparts to update the sector PDB on a regular schedule and also to transfer data and information to the central database. The timetable should include training and a target date for handing over operations.

4.13 Post implementation information capability should be added to the PDB (or activated) only after the users have become conversant with the basic system and are utilizing its information output.

4.14 Computer architecture must reflect governments' style of management. Decentralization is the favored choice even for small economies as it encourages participation, provides considerable possibilities for growth, demands less complex equipment, and requires lower investment and operating costs. It also allows the choice of less sophisticated systems for data exchanges - either diskette or communication lines may be utilized.

Training and technology transfer

4.15 The participants recommended that action plans be devised for cultivating support from the political directorate and senior management. Such plans would include the design and use of techniques of information presentation that facilitate assimilation, and would set out methods to convey the purpose and usefulness of so-called "bureaucratic" procedures to politicians and the private sector.

In addition to the usual training programmes at the technician level, participants considered that there was strong need for exposure of senior management (Permanent Secretaries and Heads of Department, Chief Technical Officers) and the political directorate (especially given their "managing director" character) on such matters as the role of information in decision analysis, formulation and decision making; appreciation of the system so that they understand the range of information that can be generated from it and the various forms of presentation of these data, and some orientation, including basic hands-on skills for extracting standard hard copy reports and queries.

4.16 Towards the objective of sustainability the scope of a total training programme must cover all topics related to the design, management and operation of the PDB. At the operational level this includes project cycle activities, operations of the PDB, maintenance of hardware and software, physical and financial supervision and monitoring and evaluation studies.

Supporting factors, institutional development and coordination

4.17 There must be capacity building as a pre-investment to PDB or at least in step with a phased introduction of the PDB system and related processes. This requires human resource development and institutional strengthening at both the local/territorial level and central government. Training must be on an ongoing basis and must include the training of trainers for effective technology transfer.

4.18 Procedures and mechanisms must be established to strengthen cooperation between core and line ministries; these are fundamental to the success of the PDB system and public sector management in general. There should be established a system for regular review of the PSIP and the annual capital and recurrent budgets within the framework of sectoral and national development plans.

4.19 Early action must be taken to strengthen the legal framework for the investment process as it relates to budgeting and the development of projects. A budget law would define the process by which projects get into the national budget and receive financing. Additionally, budget regulations must require the assessment of the financial impact of each project on the recurrent budget.

The legal instrument should define the assignment of responsibilities for specific functions.

The system for public sector investment programming should be improved by explicitly linking the three year schedule of prioritized projects to a multiple-year recurrent budget. Countries which do not presently utilize multiple-year budgeting should consider the adoption of this practice and the establishment of requisite systems.

Linking of the policy and projects processes requires further institutionalization of the planning and development management function, improvement of the national budgetary process and of the system of public sector investment programming.

4.20 Governments must establish (or where they already exist, expand their membership and role) Project Review and Advisory Committees to encourage and facilitate cooperation between the social partners - government, private sector employers and workers, through their representative bodies. These committees would draw expertise from core and line ministries, other public sector agencies and the private sector.

4.21 Governments must also create (or strengthen) similar mechanisms for public and private sector dialogue at the level of policy analysis and formulation, development planning and investment so as to synchronize public and private sector investment policies, programmes and projects.

4.22 It was considered necessary to establish control mechanisms to govern the acceptance/inclusion of projects into the PSIP and Annual Capital Budget. Particular attention must be given to considerations such as the impact on the recurrent budget in the short and longer term, public sector income generation, alleviation of poverty, gender issues, minority concerns and effects on the natural environment.

4.23 The establishment, or strengthening of a statistical base for fiscal and economic planning and project development must be undertaken.

4.24 It was generally agreed that, irrespective of the size of the country, the PDB should be gradually introduced in step with the strengthening of the support systems and procedures and consistent with the rate of internalization by most stakeholders.

4.25 There is potential conflict between the requirements for demand management and efficiency considerations in structural adjustment programmes and requirements for growth and development. It was considered important therefore, that certain focal projects in the "social" sectors - education, health and community development, may require added weight to reflect the economy's human resource development needs and the desire to keep to a minimum the suffering of vulnerable groups.

4.26 A major constraint to the establishment of the PDB is the lack of human resources to adequately support its implementation (and its design). Staff could not be relieved of ongoing responsibilities to undertake central PDB assignments. It was concluded that one potentially effective approach would be for bilateral and multilateral aid agencies to exercise greater flexibility in the application of regulations governing the use of Technical Assistance funds. In many countries public officers who are focal points for change could be temporarily relieved of their steady state duties and assigned full-time to a project from its inception. In this way they would be involved from the design stage and receive more effective technology transfer. Technical assistance programmes however, would need to be sufficiently adaptable to meet either the remuneration of the officer and other project related expenditures, or finance the temporary replacement to his substantive post.

4.27 The PDB must be based on the institutional structure of the country's public administration. The PDB effort is likely to face increased opposition if it attempts to change the public administration to fit its own predetermined "best" environment. It was acknowledged however, that, within this caveat regarding the public administration's profile, some critical changes would still need to be effected for the success of the PDB.

4.28 The coding and numbering of projects must remain fixed for the life of the project. This was essential if the administration was to benefit from the history of the project which is a primary purpose of the PDB.

4.29 Participants emphasized the need for having an integral approach to public sector investment programming, socio-economic planning, project development, budgeting, the legal framework, the determination of appropriate methodologies and training.

4.30 The seminar highlighted the importance of continued dialogue between Latin American and Caribbean counterparts, in both the public and private sector, on matters relating to the allocation of resources and to the development process. The consensus was that considerable benefits were to be gained through horizontal cooperation among the countries of the region. Seminars and meetings, such as this, provided opportunities for the exchange of experiences and perceptions with regard to public investment programming, budgeting, project cycle management, the central role of information and information systems and related growth and development issues. The region could through these mechanisms avoid, or at least reduce, wastage of scarce resources (human, material, financial and time) on activities which merely led to "reinventing of the wheel" . Special thanks therefore, was extended, at the personal and institutional level, to the Economic Development Institute (EDI) of the World Bank, the Latin American and Caribbean Institute for Economic and Social Planning (ILPES) and the Economic Commission for Latin America and the Caribbean (ECLAC), for organizing and sponsoring the seminar. Participants strongly endorsed the view that there should be continued collaboration between these organizations and Latin American and Caribbean countries.