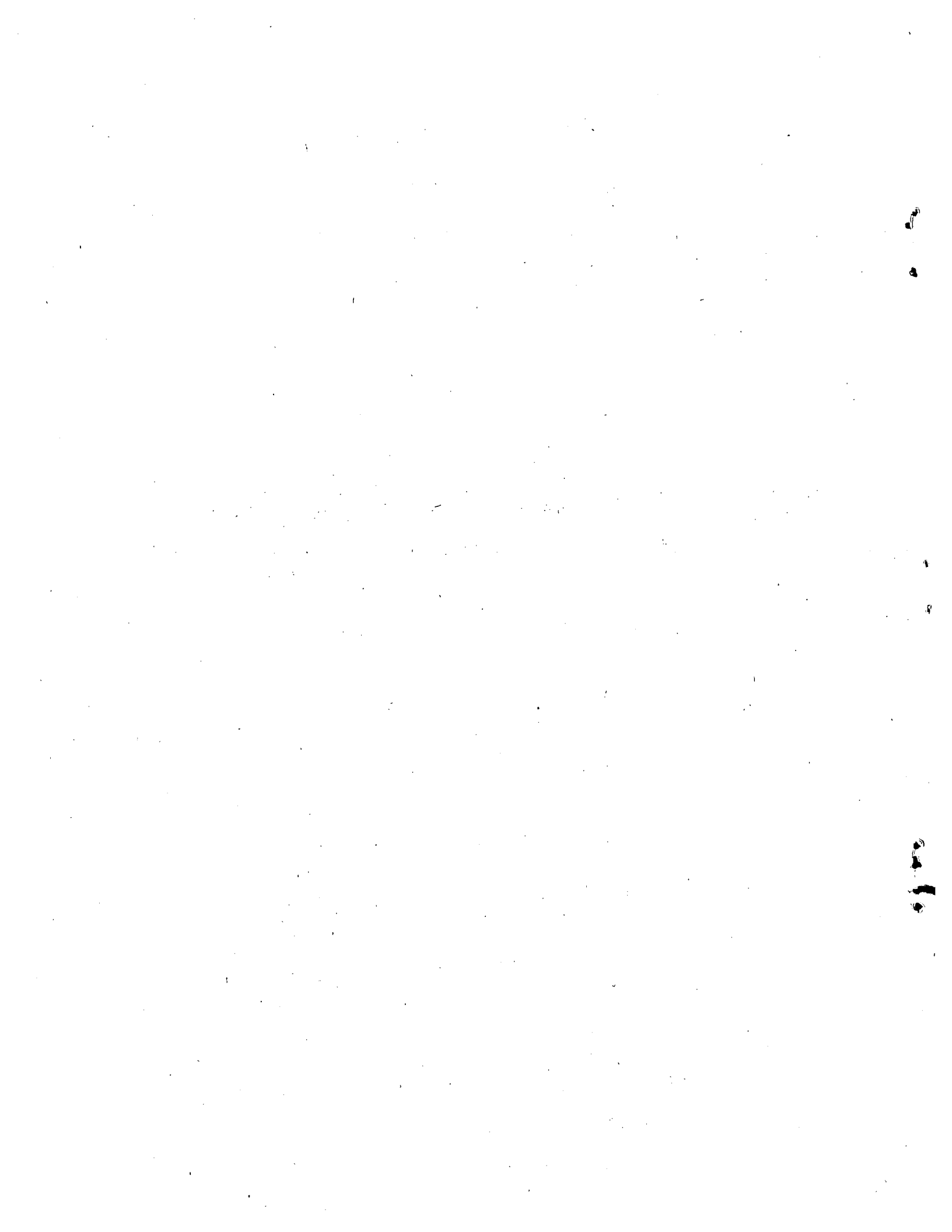


ECLA - ILPES

Project of Public Enterprises - 1973-1975

(Draft prepared by Professor V.V. Remanadham,
Interregional Adviser, Public Administration
Division, United Nations, New York)





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I. INTRODUCTION

1. This note seeks to formulate, in some detail, the Project on Public Enterprises to be undertaken by CEPAL and ILPES during 1973-1975. This happens to be one of the priority areas of the work programme of CEPAL in the near future. Use has been made of the views expressed by the participants in the Meeting of Consultants held by CEPAL at Santiago, in November 1972, the report on the Meeting, and the Substantive Work Document prepared by me as the basis for discussions at that Meeting.

2. The formulation of the Project is based on the following general guidelines given by Mr. Enrique Iglesias, Executive Secretary of ECLA:

- (a) The project should be interdisciplinary, with the focus on research on the central theme of the role of the State, through public enterprises in the socio-economic development of the country.
- (b) The Project should be defined in a comprehensive manner, even if it implies extra-budgetary resources.
- (c) The Project should be considered as a joint project of ECLA and ILPES.
- (d) The Project, to be spread over three years, should be so designed as to permit the gradual extension of work from one stage to another during the period, depending on the availability of resources.
- (e) The results of the Project should be forthcoming in stages from time to time, instead of being made available only towards the end.

3. The Project may be considered under five broad heads:

- Objective and justification
- Substantive aspects
- Organizational aspects
- Manpower aspects
- Financial aspects

II. OBJECTIVES AND JUSTIFICATION OF THE PROJECT

4. Institutional basis of the Project. The Programme of work and priorities, 1973-1975, approved in the fifteenth session of ECLA (Quito, Ecuador, March 1973) includes the projects 11.15.04.02 (Economic Development and Research Division) 11.32.02.07 (Industrial Development Division) and 11.97.02.01 to 04 (Division of Operations) which are concerned with public enterprises. Moreover, representatives of the member countries of ECLA requested that special priority should be given to the public enterprises projects. (Paragraphs 407 and 445, Draft Annual Report, E/CN.12/958, of 29 March 1973.)

5. The objectives of the Project are broadly threefold:

- (a) It aims to explore the role of the state, through the institution of public enterprise, in promoting the economic and social development of the country.
- (b) It seeks to offer policy recommendations for implementation by governments and public enterprises so that the latter may make the maximum contribution to national development.
- (c) It intends to provide allied services such as advisory services, training and documentation, which simultaneously intensifies the utility of its research activity in certain practical channels.

6. The justification for the Project. The project has ample justification in the light of the socio-economic conditions prevailing in the Latin American countries. In the first place, as developing countries, most of them have introduced public enterprise as an active component in the national economy and, by implication if not by design, as an accelerator of development.

/The origins

The origins of its induction have been dissimilar in different countries; so have their rates of growth. It is felt by many experts on the subject of economic development and public enterprise that the role of the state in the development of the nation and through the institution of public enterprise urgently needs a thorough study by CEPAL/ILPES. A recent evidence of this kind of demand is provided by the views expressed by the Meeting of Experts on the Administration of Public Enterprises held by CEPAL in November 1972, in which eminent experts (with research experience, or working in public enterprises or training projects or government departments) participated. (Ref. paragraphs 8 to 31 of the Report on that Meeting, E/CN.12/946.)

7. Secondly, the need for the study is all the greater in view of the fact that in Latin America different socio-economic systems are in existence, with correspondingly divergent policies, social, economic and political, towards development. It would be highly interesting, if not necessary, to enquire into the exact role and mechanics of manifestation of public enterprise as an instrument of development in different contexts and backgrounds of governmental, social and political preferences, constituting the driving force of national life.

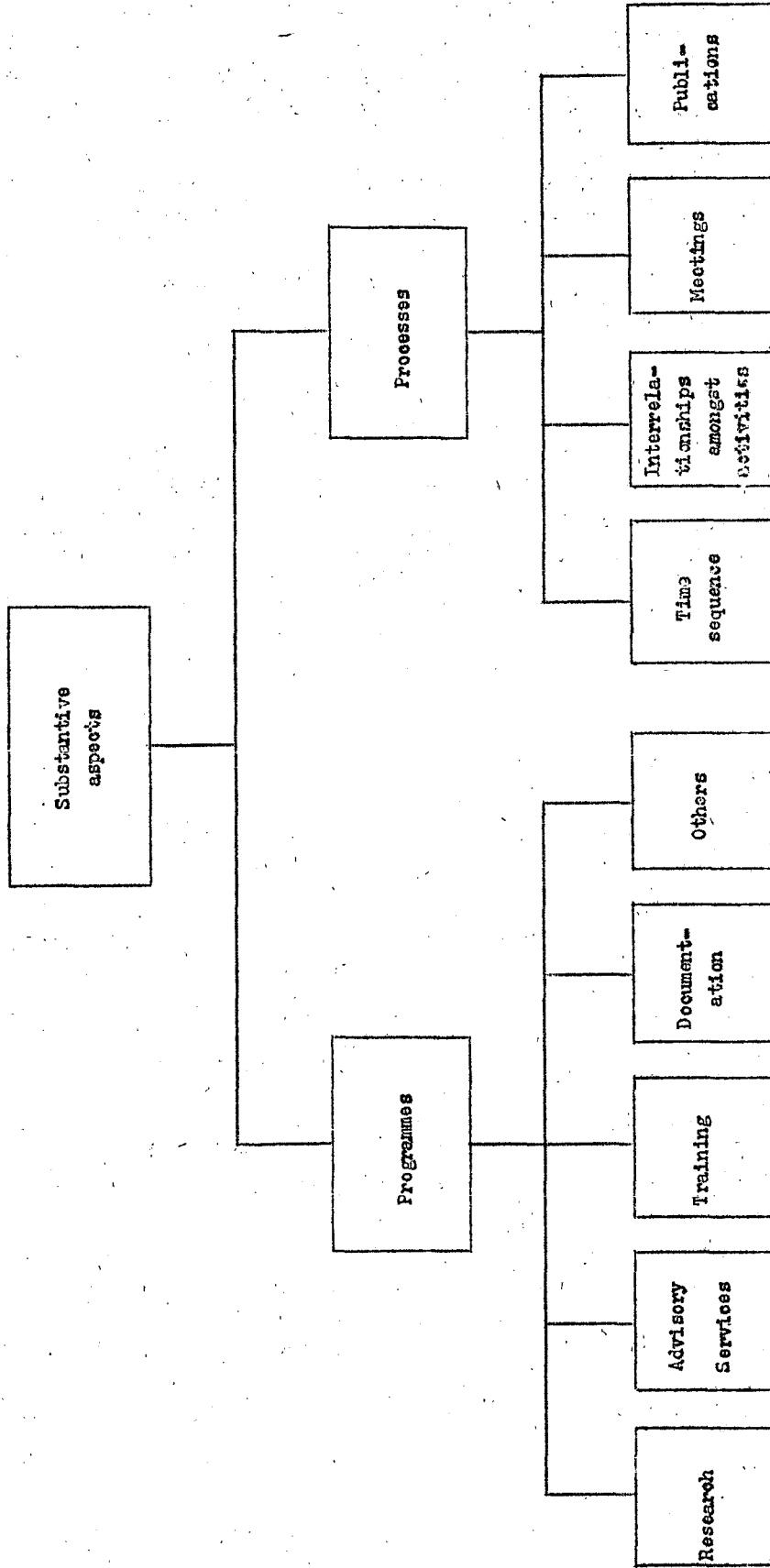
8. Thirdly, several countries have recently launched distinctive courses of approach to the management of their public enterprises, with the object of integrating their performance with the socio-economic goals of the nation. (As an example may be cited labour participation in management.) Some of these are relatively new trends in practice and, while their choice is a matter of national policy, every one including the governments concerned should be interested in discovering the best ways of enabling the public enterprises to make their maximum contribution to national development. This immensely adds to the justification of the present Project.

III. SUBSTANTIVE ASPECTS

9. The structural content of the substantive aspects of the Project on Public Enterprises is shown in the following chart (1):

/Chart 1

CHART 1



10. Of the substantive programmes, research is of overwhelming importance in the Project. We shall consider this segment in great detail and first of all.

(i) Research

11. The major object of the research programme will be to enquire into the role of the State, through public enterprise, in promoting the socio-economic development of the country with a view to analysing and recommending practically useful lines of policy.

12. The techniques to be adopted in the course of the research programme will be:

- Historical reviews to some - necessary - extent.
- Analytical studies - with reference to selected topics of study.
- Empirical investigations - with reference to countries, sectors, enterprises and aspects selected for study.

Plus:

- Methodological outlines at the beginning; and
- Inferential and suggestive documents - as the Project progresses and certainly towards the end.

13. The mechanics of the work programme will be: investigations by individual experts or teams, on the basis of primary data collection, or on the basis of available data, or on the basis of co-ordination of existing documents on the subjects concerned; interviews of public enterprise and Government officers and discussion meetings of varying sizes, durations and purposes.

14. Of the several relevant considerations which have an impact on public enterprise performance vis-à-vis the national economy, the economic aspects and the administration aspects, by and large, constitute the major focus of this research, with due inputs from other disciplines like sociology and political science.

15. The Project being a large and interdisciplinary one, three kinds of integration in the work programme will be necessary, in order that the Project may be most effective and valuable in yielding inferences and policy recommendations that can be implemented by the Governments and public enterprises.

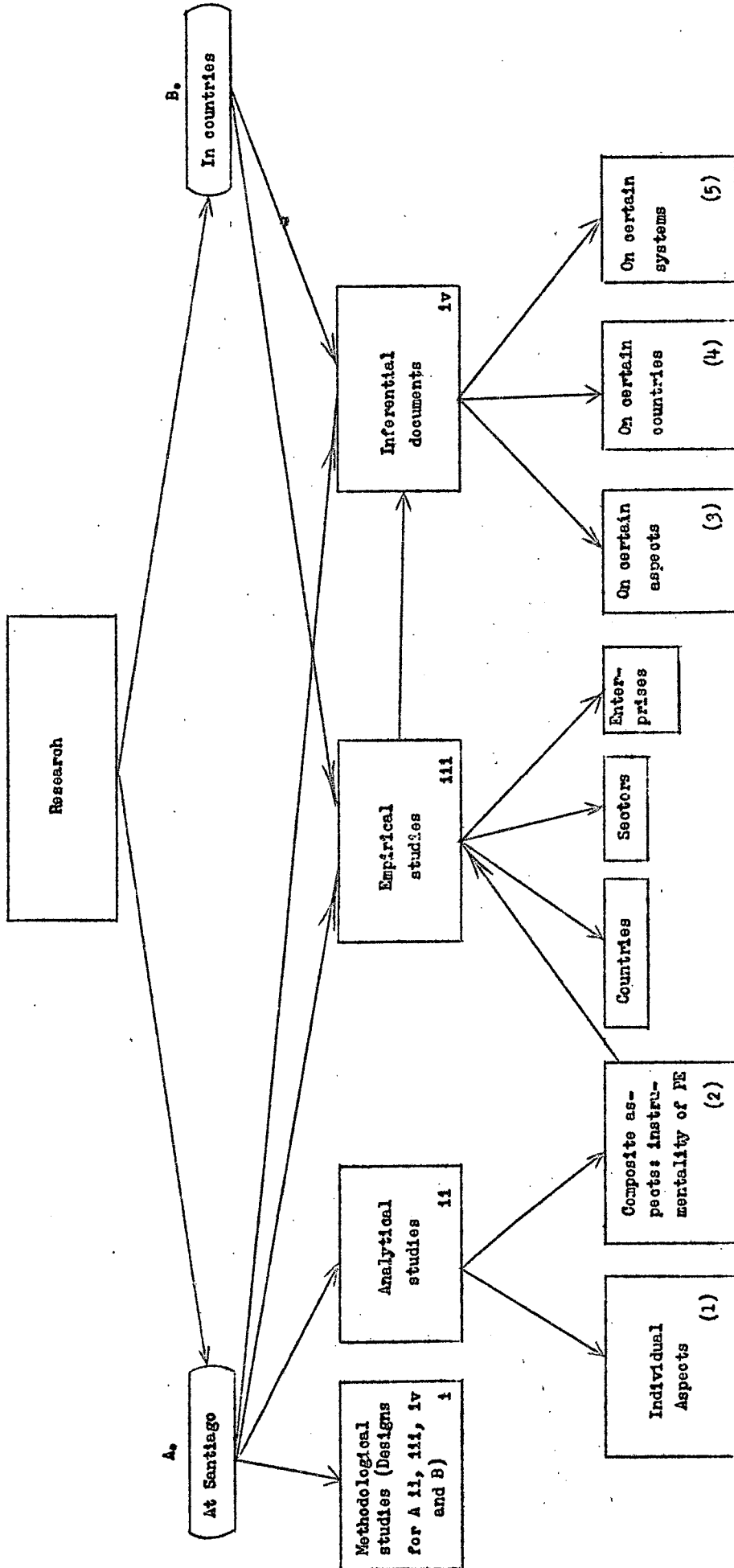
/(a) Between

- (a) Between the economic and administrative (and other) aspects in the working of public enterprises: for example, every good prescription drawn from economic principles needs translation into administration. It is here that gaps are wide and serious in practice.
- (b) Between the macro and the micro considerations: we should, identify the macro aims of the nation and the micro efficiency-oriented criteria of the enterprises and establish the best possible optimal coincidence between them. The lack of this, again, is a major problem haunting many national economies which believe in public enterprise systems as instruments of development.
- (c) Between the historical, theoretical and empirical foci of studies: though one of these may predominate in a given study, its relative place in the total perspective of a given aspect of public enterprise performance must be established.

16. Some studies may have a predominantly economic or administration focus (or of sociology or political science); these should be undertaken by the respective experts. Some others, and most of the ultimate "inferential" reviews, call for a definitely interdisciplinary team, and the appropriate technique of integration of inputs from the different disciplines has to be worked out in respect of each work programme.

17. These lines of approach are incorporated in the research programme table presented at a later stage of this note.

18. In order to give an idea of the substantive composition of the research programmes, implicit in the Project, the following chart is prepared indicating the nature of the studies, and the integral interrelationship among the different studies.



19. The ideas represented in the above chart 2 may be spelt out in clear detail in the following terms:

- (a) The research programmes will be conducted primarily at Santiago and, to some extent, in the countries which are selected for empirical studies.
- (b) The research programmes at Santiago will consist of:
 - (i) Methodological studies, defining the structure of investigation in each research programme;
 - (ii) Analytical studies which may be subdivided into studies of individual aspects, and composite studies on multiple aspects of public enterprises with a focus on the instrumentality of public enterprises in national development;
 - (iii) Empirical studies which may relate to countries, or sectors, or individual enterprises;
 - (iv) Inferential studies, which are more or less the end product of all the earlier studies and which aim at the presentation of inferences and policy recommendations to Governments and public enterprises.
- (c) The research programmes in the countries selected for empirical studies, naturally, depend on the methodological outlines made available to the individuals or teams entrusted with the programmes; and these programmes may result in empirical studies on a given country, or inferential documents based on country material in a given case or on a given aspect.
- (d) We may add a word about the inferential documents which have been described in the above paragraphs as more or less the end products of the research programmes. These may refer to certain individual aspects of public enterprise in its manifold interrelationships with the national economy; for example, prices, the investment processes, Government control, incentives and labour participation; or these documents may relate to certain countries, and probably to several aspects of public enterprises in those countries; or they may relate to certain overall systems pertaining to the institution of public enterprise such as the holding company organization and Government control over public enterprises.

20. The criteria in the choice of topics, which is a crucial issue in formulating the research programme of the Project, may be outlined as follows:

- (a) They should together add up to covering the theme of the Project, viz., the role of public enterprise in socio-economic development.
- (b) They should represent areas that lend themselves to, and call for, action on the part of the Government and/or the public enterprises as a result of the findings.
- (c) Their sequence should be so conceived that the work could be extended automatically in proportion with resource availability and that the findings, useful in themselves, flow at successive stages of the Project.
- (d) Wherever necessary, the work programme on a given topic should provide for and include the required interdisciplinary inputs at appropriate stages; e.g., (i) from the beginning, (ii) at some early stage of the investigation, (iii) at a later stage, or (iv) at the end. The incorporation, for example, of "administration" in a work programme initiated with an economic focus or of "economics" in a work programme initiated with an administrative focus, should never be later than is most desirable in this interdisciplinary project which aims at providing Governments and public enterprises with suggestions on action-oriented policies.
- (e) The problem of choice concerns the analytical themes, as well as the empirical bases. The latter have four aspects: countries, sectors, enterprises, and historical contexts; and the former, for the ease of work processes, may be conceived of under two heads: themes with a single focus and themes with multiple focii. In most cases, the former have to get woven into the latter type towards the later stages of the Project, so that policy recommendations implementable in the real world (of national economy) may emerge.

21. In the selection of the topics for research it seems necessary to include, as part of the research programme in its early stages, the programmes of research activity already planned by certain divisions of ECLA, particularly by the Economic Development Division; likewise, certain projects planned by the National Resources Division, the Transport Division and the Industrial Development Division, are to be taken note of, although with an appropriately modified focus that places them exactly within the framework of research programmes outlined within the context of the Public Enterprise Project of ECLA and ILPES. With regard to all these ongoing programmes, some provision has to be made for the appropriate incorporation, as the investigations proceed, of the

/relevant inputs

relevant inputs from other disciplines; for it may be recalled, this is an interdisciplinary Project aimed at producing findings to implementable value to Governments and public enterprises.

22. Before we outline the topics of research in extensive detail, as ~~par-agraph-5~~, we may consider the question of selecting the countries for empirical studies. Broadly the choice may be based on the principle of their being sufficiently representative for the purposes of the research programme. In particular, the size of the country, the nature of the socio-economic system, the extension and length of experience of the public enterprise institutions and the practical conditions regarding easy availability of material and degree of responsiveness from the countries concerned, have to be given due weight. As a result of intensive and prolonged discussions at ECLA and ILPES, the following countries have been tentatively selected for empirical studies:

- Peru
- Ecuador
- Dominican Republic/Costa Rica
- Brazil/Mexico

It may be added that not every country will necessarily be covered completely in all aspects of all items of the research programmes. It is possible to extend the empirical reference to any other Latin American country, with reference to a given item of the research programme if such a step appears to be more fruitful.

23. The items of research, along with their empirical concerns, are indicated in full detail below.

A. PUBLIC ENTERPRISES: SOME ASPECTS OF THEIR ECONOMIC SIGNIFICANCE
(Economic Development Division)

1973 and 1974

ITEM OF RESEARCH	BRIEF ANNOTATION	OBJECTIVES	COVERAGE
<p>1. "Location" of the public enterprises sector in three dimensions: (a) with respect to the economy as a whole; (b) in relationship with all the Public Sector and the Government as such ("external" integration); and (c) inside the public enterprises sector ("Internal" integration).</p>	<p>(a) Relative importance of the public enterprises and tendencies registered.</p> <p>(b) Relevant factors for explaining those tendencies</p> <p>(c) Ways and means of general organization, co-ordination, decision-making processes and functioning.</p>	<p>- To review broadly the relative importance of the public enterprises</p> <p>- To review the nature of their role in all activity, with distinction of the advantages and shortcomings envisaged.</p> <p>- To recommend some guidelines that could be useful for reaching a better efficacy in the operation of the sector.</p>	<p><u>Countries</u> Brazil or Mexico Ecuador Peru Dominican Republic or Costa Rica</p> <p><u>Area</u> - overall - fact-gathering relatively simple and assimilation of easily obtainable material. - What is intended is more an overview with some selected remarks than a specific review.</p>
<p>2. Analysis of the productive activity of the public enterprises sector.</p>	<p>The analysis will cover mainly:</p> <p>(a) structure and other characteristics of the public enterprises production of goods and services, both in a static and a dynamic approach.</p> <p>(b) congruence of their</p>	<p>- To review the part assumed by the public enterprises on the national production processes</p> <p>- To review the different forms and conditions in which the public enterprises have</p>	<p><u>Countries</u> Brazil or Mexico Ecuador Peru Dominican Republic or Costa Rica</p> <p><u>Area</u> - overall, if possible</p>

1973 and 1974

ITEM OF RESEARCH	BRIEF ANNOTATION	OBJECTIVES	COVERAGE
	<p>production with the national economic preferences defined</p> <p>(c) some specific impacts of the public enterprises production activity, mainly in the balance of payments and in the internal capital goods production.</p>	<p>entered into the production activity and the efficacy of the function accomplished</p> <p>- To recommend some directions for deciding and organizing the production activities of the public enterprises.</p>	<p>- sectorial and even for some specific enterprises in some cases.</p>
<p>3. Analysis of the savings and investment process in the public enterprises in connexion with their overall financial functioning.</p>	<p>(a) How much, how and in what do they invest? Continuity of the investments.</p> <p>(b) Restraints and different factors helping to the investment process</p> <p>(c) Impacts over the possibilities of accumulation provoked by the pricing policies pursued</p> <p>(d) if possible, the analysis of the trends in the costs will also be included.</p>	<p>- To review the priority and the treatment given in the public enterprises sector to the savings-investment process</p> <p>- To review the conditions and ways in which the activity is realized</p> <p>- To recommend some guidelines for appropriate action in this field.</p>	<p><u>Countries</u> Brazil or Mexico Ecuador Peru Dominican Republic or Costa Rica</p> <p><u>Area</u> - an overall complete review is almost impossible</p> <p><u>Sectors</u> - electricity - petroleum - if possible, some branch in manufacture.</p>

B. GOVERNMENT AND PUBLIC ENTERPRISE

(Public Administration Unit)

1973

ITEM OF RESEARCH	BRIEF ANNOTATION	OBJECTIVES	COVERAGE
1. Communication between government and public enterprises	(a) The flow of information, review, advice or direction.	(a) To review the prevailing systems of communication as between the government and the public enterprises in all aspects of the subject.	<u>Countries</u> Brazil/Mexico Ecuador Dominican Republic/Costa Rica Peru
(a) Channels	(b) Purpose, periodicity and detail of communication.	(b) To review the substantive adequacy and exactness of the systems of communication.	<u>Area</u>
(b) Substantive aspects	(c) Use of the information, review, advice or direction.	(c) To recommend on the most efficacious systems of communication from the angle of enterprise performance, governmental needs of administration, and the maximal instrumentality of public enterprise in national economic development.	(a) Overall - i.e. all P.E.'s. (b) Where appropriate supplementary concentration on a few major sectors or P.E.'s.
	(d) Agencies involved, ministries, Central Bank, Controlor, Tribunals.		
	(e) Dialogue accompanying communications etc.		
	(f) Substantive elements of the items of communication etc., as against formal elements: e.g. budget norms, price approvals, manpower.		

1973

ITEM OF RESEARCH	BRIEF ANNOTATION	OBJECTIVES	COVERAGE
2. Supervisory arrangements over public enterprises	(a) Nature of supervision information, consultation, approval, advice, direction.	(a) To review the existing systems of governmental supervision, as to nature, purpose and agency.	<u>Countries</u> Brazil/Mexico Ecuador Dominican Republic/Costa Rica Peru
	(b) The purposes of supervision.	(b) To review the substantive basis of supervision.	<u>Area</u> - overall
	(c) Agencies concerned - Finance Ministry, Concerned Ministry, Planning Ministry, Cabinet, Parliament and its Committees, Controlor, Central Bank, Public Commissions or Tribunals, Sectoral Corporations, etc.	(c) To review the co-ordination among supervisory agencies.	
	(d) The Substantive, as distinctive from the formal, aspects of supervision.	(d) To review the impact of supervision on the efficiency of Public Enterprises and on their instrumentality in national economic development.	
	(e) Substantive norms underlying supervision	(e) To recommend on the most efficacious techniques of supervision from the angle of enterprise performance,	
	(f) Impact of supervision on Public Enterprises performance.	(h) The extent of expertise in the supervisory systems.	
	(g) Co-ordination among supervisory agencies.		

1974

ITEM OF RESEARCH	BRIEF ANNOTATION	OBJECTIVES	COVERAGE
3. Organizational structure of public enterprises.	(a) The overall approach to public enterprises organization	(a) To review the existing structures of public enterprise organization.	<u>Countries</u> Dominican Republic/Costa Rica Peru Brazil/ Venezuela
	(b) A single holding company	(b) To review the substantive results or consequences from the angle of centralization of managerial financial and growth decisions	<u>Overall studies</u>
	(c) Sectoral corporations		
	(d) Multiproduct enterprises		
	(e) Joint participation with private capital		
	(f) Foreign capital participation	(c) To review the organizational structures vis-à-vis the needs of co-ordination	
	(g) Autonomy in the forms of organization of public enterprises	(d) To recommend the lines of re-organization that is most conducive to the orderly functioning of public enterprises in the interest of the socio-economic development of the country.	
	(h) Structures of development corporations and financial corporations		
	(i) Organizational interrelationships among public enterprises		
4. Evaluation of public enterprises*	(a) The unique factors in the evaluation of public enterprises	(a) To review the existing methods of evaluation, if any, of public enterprise performance.	<u>Countries</u> A general study of the four case-study countries.

* In these two studies there will be little of reviewing of existing experience, of which there is little; the focus will be mainly on demonstrating what may be done.

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ITEM OF RESEARCH	BRIEF ANNOTATION	OBJECTIVES	COVERAGE
	(b) Techniques and norms of evaluation.		Main focus on recommendatory studies of select sectors or enterprises in two countries.
	(c) Financial, economic and social angles of evaluation.	(b) To suggest the right approach to evaluation - including norms, machinery and angles of approach.	
	(d) Machinery for evaluation.		
		(c) To recommend on evaluation systems appropriate to the maximal contribution of public enterprises to national, social and economic development.	
5. Determination of the objectives of public enterprises*	(a) The national purposiveness of determining the objectives of individual public enterprises.	(a) To review the existing position regarding the specification of objectives of public enterprises	<u>Countries</u> Peru Brazil/Mexico <u>Sectors</u> Electricity Petroleum
	(b) Different categories of objectives - physical, financial, economic and social.	(b) To examine the factors that complicate the determination of the objectives.	Financial corporations
	(c) Synthesis among conflicting objectives	(c) To recommend on the appropriate machinery and on	

* In these two studies there will be little of reviewing of existing experience, of which there is little; the focus will be mainly on demonstrating what may be done.

1974

ITEM OF RESEARCH	BRIEF ANNOTATION	OBJECTIVES	COVERAGE
	(d) Machinery for determining and periodical revision of the objectives.	the techniques of determining the objectives of individual enterprises or sectors of activity, with the object of ensuring the maximal contribution of public enterprises to the national socio-economic growth.	

1975

ITEM OF RESEARCH	BRIEF ANNOTATION	OBJECTIVES	COVERAGE
6. Labour participation in management of public enterprises	(a) Existing policies and patterns of labour participation (b) Participation in management by other employees (c) Relevant socio-political contexts.	(a) To review the working of labour participation in management of public enterprises from the angle of efficiency. (b) To review the system from the angle of social objectives. (c) To suggest improvements in the system so as to arrive at the best balance between economic criteria and social objectives.	Countries Peru Chile Area: Some select enterprises, large, medium and small.

1975

ITEM OF RESEARCH	BRIEF ANNOTATION	OBJECTIVES	COVERAGE
7. Integration of the Public Enterprise Sector with the Plan processes.	(a) Incorporation of public enterprise data in Plan formulation.	(a) To review the existing methods of co-ordination between planning, at different stages, and public enterprises.	<u>Countries</u> with Plans.
	(b) Effective communication of Plan implications to concerned public enterprises.	(b) To review the instrumentality of public enterprises in planned national development, especially in the financial magnitudes of investment and savings.	<u>Area</u> -- overall aspects of investments and savings
	(c) Scrutiny of PE performance vis-à-vis Plan during implementation of Plan.		
	(d) Appraisals and revisions in public enterprise operations and investments as necessary from Plan reappraisals	(c) To recommend on the optimal integration of public enterprises in the Plan processes with a view to maximizing their performance and their contribution to national socio-economic development.	
	(e) Continuing liaison between Planning machinery and public enterprises.		
	(f) Co-ordination between public enterprise activities and those in the rest of the economy		

C.1. POWER INDUSTRY IN LATIN AMERICA

(Natural Resources and Environment Division)

1973-1974

ITEM OF RESEARCH	BRIEF ANNOTATION	OBJECTIVES	COVERAGE
Pricing and investment in Latin American power industry	(a) Statistical review of major development in Latin American public power industry since the 1960's. (b) Isolate and evaluate alternative approaches to pricing and investment analysis in the power industry. (c) Policy recommendations for price formulation and investment analysis and specific actions required to implement those recommendations.	(a) Documentation of the character of development of the region's public power industry since the 60's and the price and investment policies which accompany that development. (b) Identification of the need for new price and investment policies to guide the growth in power supplies (private and public) in the future.	All ECLA member countries reduced to the number of countries that will supply data.

D.1 TRANSPORT PLANNING

(Transport and Communication Division)

1972-1977

ITEM OF RESEARCH	BRIEF ANNOTATION	OBJECTIVES	COVERAGE
Techniques of transport planning and evaluation of the plans for transport.	To be filled in by the Transport Division.		

E.1. THE PUBLIC SECTOR IN INDUSTRIAL DEVELOPMENT

(Industrial Development Division)

1973-1974

ITEM OF RESEARCH

BRIEF ANNOTATION

OBJECTIVES

COVERAGE

10. The public sector
in industrial
development.

To be filled in by the Industrial Development Division.

24. (a) At this stage the nature of the end-product of the programmes of research may be described briefly. Essentially each programme of research is expected to result in a document that bears the stamp of empirical substance, expert analysis and policy-oriented inferences that are likely to be of use to the Governments and the public enterprises in the Latin American countries. These documents are likely to provide the policy-makers in Governments as well as public enterprises executives with an approach on a plan of action of streamlining of their existing practices in the most appropriate manner; and it is hoped that research will aid to knowledge in these directions, which may not have existed so far.

(b) However, the research, through the inferential documents as well as the rich material collected in the course of the empirical studies, would be of utmost use for the training programmes of ECLA and ILPES, for the seminars proposed as part of the Project and for the most fruitful advisory services to Governments and public enterprise, which ECLA and ILPES may contemplate in the near future. Thus, the end-product of the Project, particularly of its research component - the major aspect of the Project - fits in the priority areas of demand encountered in the Latin American countries for the kind of expert service that ECLA and ILPES are best conditioned to give.

25. Just for the purpose of elucidation, considering the importance of the process, the nature of integrating interdisciplinary inputs in given programmes of research is indicated in respect of four items of the research programme as follows. Similarly, a detailed scheme has to be formulated for all the other research programmes as well, before they are initiated.

Chart 3

AN ILLUSTRATIVE STRUCTURE OF INTERDISCIPLINARY INPUTS

ITEM OF RESEARCH - A.1

Location of the public enterprises sector in three dimensions

Details	One-year period
(a) Relative importance of the public enterprises and tendencies registered	//////////////////xxxxxxxxxxxx////////////////// //////////////////xxxxxxxxxxxx////////////////// //////////////////xxxxxxxxxxxx//////////////////
(b) Relevant factors for explaining those tendencies	//////////////////xxxxxxxxxxxx////////////////// //////////////////xxxxxxxxxxxx////////////////// //////////////////xxxxxxxxxxxx//////////////////
(c) Ways and means of general organization, co-ordination, decision-making processes and functioning	xxx xxx xxx
(d)	

ITEM OF RESEARCH - A.2

Analysis of the productive activity of the public enterprise sector

Details	One-year period
(a) Structure and other characteristics of the public enterprises production	//////////////////xxxxxxxxxxxx////////////////// //////////////////xxxxxxxxxxxx////////////////// //////////////////xxxxxxxxxxxx//////////////////
(b) Congruence of their production with the national economic references	//////////////////xxxxxxxxxxxx////////////////// //////////////////xxxxxxxxxxxx////////////////// //////////////////xxxxxxxxxxxx//////////////////
(c) Some specific impacts of the public enterprises production activity mainly in the balance of payment and in the internal capital goods production	//////////////////xxxxxxxxxxxx////////////////// //////////////////xxxxxxxxxxxx////////////////// //////////////////xxxxxxxxxxxx//////////////////

//////: Economic Development Division
xxxxx: Public Administration Unit

Chart 3 (concl.)

ITEM OF RESEARCH - B.2

SUPERVISORY ARRANGEMENTS OVER PUBLIC ENTERPRISES

Details	9-month periods
(a) Nature of supervision, information, consultation, approval, advice, direction	xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
(b) The purposes of supervision	xxxxxxxxxxxxxxxxxxxxxxxx//////// xxxxxxxxxxxxxxxxxxxxxxxx//////// xxxxxxxxxxxxxxxxxxxxxxxx////////
(c) Agencies concerned, Finance Ministry, concerned Ministry, Planning Ministry Cabinet, Parliament and Committees, Controller, Central Bank, Public Commissions or Tribunals, Sectoral Corporations, etc.	xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
(d) The substantive, as distinctive from the formal aspects of supervision	xxxxxxxx//////// xxxxxxxx//////// xxxxxxxx////////
(e) Substantive norms underlying supervision	xxxxxxxx//////// xxxxxxxx//////// xxxxxxxx////////
(f) Impact of supervision on Public Enterprise performance	xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
(g) Co-ordination among supervisory agencies	xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
(h) The extent of expertise in the supervisory systems	xxxxxxxx//////// xxxxxxxx//////// xxxxxxxx////////

xxxxx: Public Administration Unit
 /////: Economic Development Division
 ———: Others (Transport, Natural Resources, Industrial Development).

26. It is desirable to programme for three kinds of activity under the head of "Meetings", with reference to the research programmes.

- (a) Initial meetings in respect of a given item of research programme or of an allied group of items, composed only of ECLA, ILPES and UN consultants. The purpose will be to programme the research investigations thoroughly. The duration may be up to five days.
- (b) Final meetings of an exactly similar nature and composition, but at the end of the investigation, with the purpose of preparing the inferential documents, referred to in paragraph 19 above.
- (c) A Seminar for about five days, consisting of senior Government officials and public enterprise executives from a large number of Latin American countries, besides expert consultants, ECLA, ILPES and UN participants, to be convened about February 1974 on the theme of "Government's approach to public enterprise as an instrument of development". By that time, it is hoped, some of the inferential documents of the research programmes will be available either completely or in a sufficiently advanced state of utility. The suggested composition of the seminar helps to promote the highly desirable orientation, both attitudinal and professional, in Government officials dealing with public enterprises and in public enterprise, executives having

/to deal

to deal with Government officials. Gaps in this regard are one of the most severe limitations on the purposeful manifestation of the interrelationships between the Government and the public enterprises in many Latin American countries. A detailed design of the seminar may be worked out in the course of time; however, it may be suggested that it will be based broadly on three basic working documents: (i) a theoretical paper, (ii) an empirical paper, and (iii) a well-formulated paper raising the issues for discussion. With an advance circulation of the papers amongst the participants, meaningful discussions can be held by them in the course of the five days of the seminar. The object of the seminar should be to aim at drawing conclusions on the most appropriate techniques of promoting an improved instrumentality of public enterprise, as an institutional means of State initiative, in the socio-economic development of a country.

27. To this category may be added another seminar to be planned for late 1975, towards the end of the Project as a whole, with the object of discussing the major findings emerging from the Project. It is too early to introduce details of this activity in the present document. Perhaps it is sufficient to add that, like the above seminar, this may be for five days and comprise about 30 participants.

28. The most immediate substantive step to be taken in initiating the research programmes consists of the preparation of methodological outlines of two kinds:

- (a) Methodological outlines in respect of particular teams under a given research programme or a given set of allied research programmes.
- (b) Methodological outlines for empirical studies, particularly of a country character. These may, in many cases, cover the collection and processing of data from the angle of more than a single item of research programme. These outlines are to be prepared with expertise and caution, so that the human resources released into selected countries for empirical research will tend to work as per a given and co-ordinated plan.

/(ii) Advisory

(ii) Advisory Services

29. It is difficult to identify the advisory services that ECLA may provide to Governments and public enterprises in Latin America at this moment. However, a few concrete suggestions as regards the offer of advisory services may be made at this stage.

30. Depending on the findings of the different research programmes, ECLA may explore the possibilities of making advice available to Governments and public enterprises in areas of public enterprise operations or of Government supervision, as may be deemed most purposeful, in enabling the countries concerned to realize the maximum contribution of public enterprises to national development.

31. It is important to actively explore the possibilities of co-ordinating this activity with the regional and country projects of the United Nations, such as ICAP, located in Costa Rica, and the projects in Peru and Uruguay, so that the best use can be made of the human resources available within the UN family as a whole. It would be an advantage to such regional and country projects to receive backstopping from ECLA on the basis of its data and expert inferences flowing from the research programmes.

32. It appears to be ideal for the advisory services to be intensified in a systematic manner after the research programmes reach a state of reasonable maturity and following the seminar suggested for that time, in paragraph 26 above. It is to be hoped that the receptivity of the countries and enterprises to be advised will be particularly high subsequent to the exposure of the senior officers and executives to the discussions at the seminar. However, during 1973, as the results of research become available in stages, they may be availed of by the advisory services that may be implemented in the course of the normal work of ECLA.

(iii) Training

33. Considering the acute constraints on the resources of ECLA, I suggest that the training activities may, by and large, be encouraged at the regional and national levels, and in particular, through the United Nations projects in the Latin American countries, of which some are actively helping in training Government officers and public enterprise executives in modern and sophisticated techniques of administration and management, for example, in Peru and Uruguay, the Central American countries and Venezuela.

34. It will be of particular significance for ILPES to develop some courses, appropriately within its overall scheme of concentrations, designed with a focus on planning and on public enterprise operations. Either substantial elements on these matters may be introduced in its programmes of a general nature or, perhaps preferably, special courses may be designed in these particular fields, just as the UN Asian Institute is planning at the moment to organize a special course on public enterprises.

(iv) Documentation

35. Specific items of work to be undertaken in the context of documentation may be enumerated as follows:

(a) The bibliography on public enterprise which has been produced by CLADES (Latin American Documentation and Research Centre) during November last on the occasion of the Meeting of Consultants on the Administration of Public Enterprises, may be brought up to date, so as to raise the number of entries from the former figure of 2,000 to near 4,000.

(b) The usefulness of the bibliography will be substantially enhanced if an attempt is made to give the users of the bibliography some indication of which of the titles are important, or descriptive, or analytical, or of a major importance in the literature on public enterprises. Towards this end, I suggest that CLADES may negotiate with a few experts or expert institutions in the different regions of the world for having brief annotations of about 500 items, which the latter would consider as relatively important. Towards the end of 1974, a consolidated bibliography including such annotations of selected entries may be published.

(c) CLADES may develop a system of having brief summaries made continuously of the books and the articles appearing in journals, with reference to public enterprises in Latin America. These may be issued as half-yearly bulletin. Of course, care has to be taken against dissipating energies on relatively unimportant parts of the growing literature on the subject.

/(d) It

(d) It would be helpful, however, for CLADES to isolate the entries of direct reference to Latin American countries, from the 4,000-entry bibliography, and compile these into a separate, naturally smaller, volume, in which probably the entries may even be arranged country by country.

(v) Other activities

36. ECLA may prepare a roster of resources available in Latin America, under the following heads:

(a) Experts on public enterprise, distinguishing between academic experts and those that have practical experience as well.

(b) Senior officers of Governments and Public enterprises with long experience in public enterprise matters.

(c) Institutions with activities related to the field of public enterprise.

It is needless to say that such a roster will be of great value for identifying the exact persons and institutions when needs of assistance arise.

37. Some indicative tables for the collection of information in all these aspects are provided below.

IV. ORGANIZATIONAL ASPECTS

38. This Project, being big and interdisciplinary, calls for a careful planning of its organization. Some major organizational aspects are outlined below.

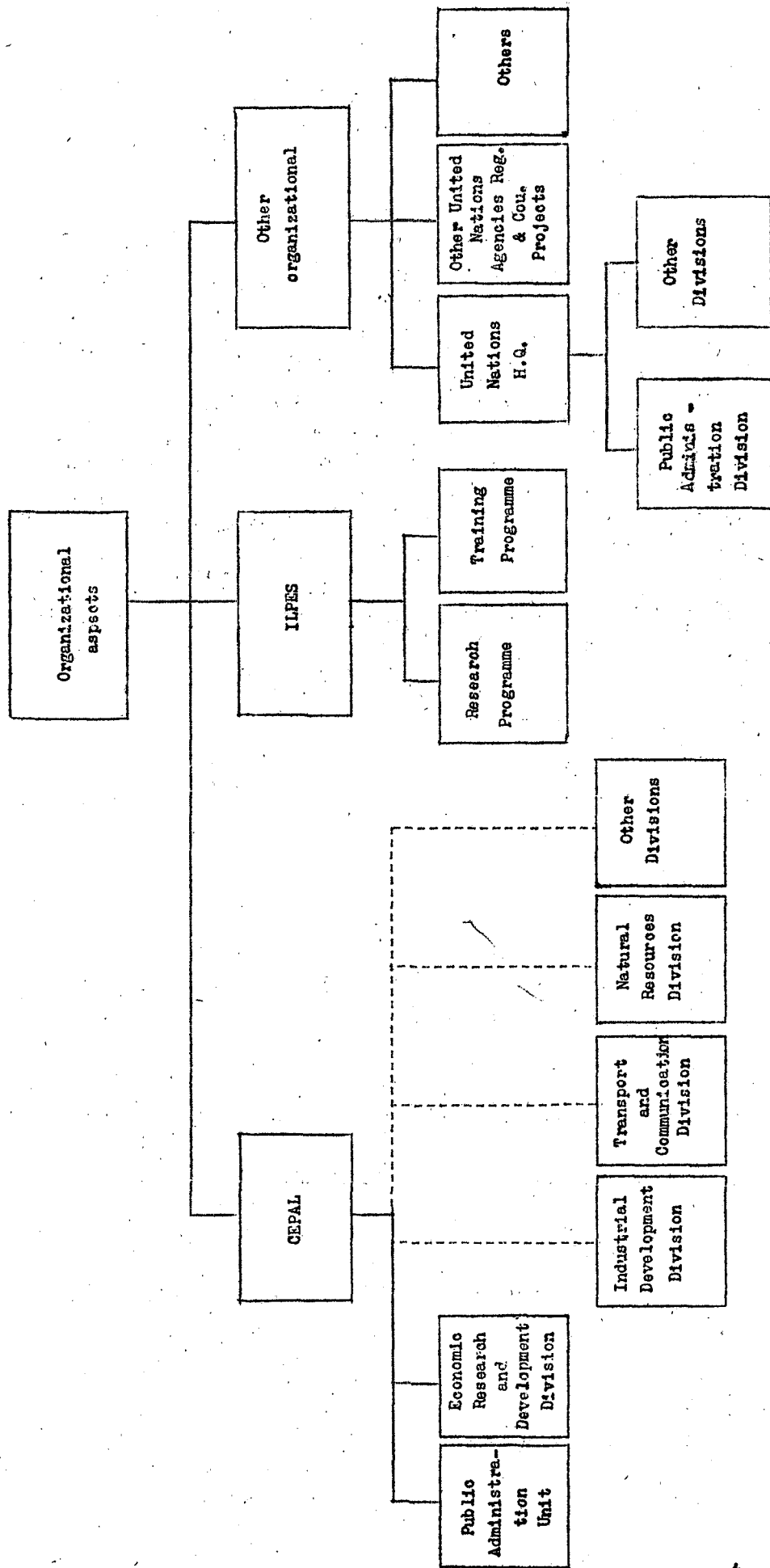
39. An overall steering group may be constituted with two officers from ECLA (one from the Economic Development Division and the other from the Public Administration Unit), an officer from ILPES, an officer from the Public Administration Division (PAD), United Nations, to be nominated by the Executive Secretary of ECLA in consultation with PAD, and a Latin American expert on public enterprise to be nominated by the Executive Secretary of ECLA. This group should meet at intervals for giving general guidance to the Project, for watching its progress, and for dealing with any problems that arise from time to time.

40. The institutions, besides ECLA and ILPES, whose assistance may be requested, may include the United Nations Headquarters, other United Nations agencies including the regional and country projects and any other institutions in Latin America which are actively engaged in research on public enterprise. The exact apportionment of the work among the different institutions that constitute the human resources of the Project may be done by the steering group and the work done by the different participating institutions should be co-ordinated by it.

41. One or two persons at ECLA/ILPES may be designated as the Project leaders.

42. The following chart (4) represents, at a glance, the organizational structure of the Project.

CHART 4



V. MANPOWER

43. We shall consider the requirements of manpower for implementing the Project during 1973-1975. These may be examined under the different heads: research, advisory services, training, documentation, and other activities.

(i) Research

44. While it is realistic to proceed with the programmes of research in such a way that the volume of activities may be expanded in proportion to the manpower resources that will be available as time goes on, it will be crucial for the success and effectiveness of the Project to guarantee a minimum size of manpower availability from the beginning.

45. The existing manpower resources may be described as follows: ILFES can offer the services of three or four professionals on a part-time basis, for continuously long periods or on a full-time basis for short periods, as per the requirements of the programmes of research; and Mr. Cibotti will be available for advice continuously. In ECLA, the Economic Development Division has one, perhaps two at best, who can work in the Project on a full-time basis. The existing resources of the other divisions such as Natural Resources, Transport and Industrial Development, devoted to research already planned by them, may be considered adequate for the purpose. The Public Administration Unit has only an Associate Expert at the moment; however, it is hoped that some replacement for the two senior posts which are Vacant - Chief and Regional Adviser - will take place soon.

46. It will be very essential to recruit at least one senior person in the Public Administration Unit immediately; or else the Project will not materialize in the desired interdisciplinary manner; the elements of public administration, management, and Government supervision are liable to be relegated to an unduly subordinate position or to a fictitiously later date; and what is equally undesirable, there will be no co-ordination of the requisite order among the regional and country study programmes.

47. For the full results of the research programmes to be realized, the following additional manpower requirements may be suggested:

(a) 48 man-months spread over two years, for short term consultants.

(b) Experts and interregional advisers from United Nations and from the regional and country programmes of the United Nations family. (Even here it will be realistic to provide six to nine man-months or a reimbursable basis, for use at different times). These persons may be invited particularly for assisting in the preparation of methodological and inferential documents as described in paragraph ~~18~~ 19.

(c) It will be ideal to recruit a full-time staff member with a background of economics and public administration, even if under bilateral aids, for 24 months.

(d) Besides, recourse may be taken to special service agreements, in respect of select empirical studies in the countries chosen for study. Tentatively, some six such are proposed, involving a workload costing under \$ 2,000 each.

(ii) Advisory services

48. In carrying out the advisory services which form part of the Project, it is presumed that the existing staff members will continue to allot a part of their time for this purpose in the normal course of their duties. However, it will be helpful to acquire the services of an expert or short-term experts totalling 12 man-months. They should be qualified in the field of public enterprise; and actual experience in Government or public enterprise over and above academic excellence will be an additional qualification. Further, small teams for advisory

/services may

services may be constituted on an ad hoc basis from time to time including in it persons already working in United Nations regional or country projects, so that local knowledge is at once available in respect of the advisory services.

49. It will be appropriate to take the assistance, on an honorary basis, of experts in local universities and other academic institutions, wherever possible.

(iii) Training

50. ILFES, the mainspring of the training component of the Project at Santiago, will be able to cope with the manpower needs in this respect. Additionally, it may provide backstopping to United Nations regional and country projects in this area of activity.

(iv) Documentation

51. CLADES needs outside assistance through special service agreements, costing about \$ 6,000 during 1973 and 1974 for the substantive work recommended elsewhere under documentation. The existing staff of CLADES cannot do this.

52. It is possible to secure the assistance, on a non-cost basis, from some Divisions of ECLA as well as from other experts in the United Nations family in respect of select segments of the work.

(v) Other activities

53. For the preparation of the roster of available human and institutional resources and for developing contacts with regional and national agencies and institutes engaged in the field of public enterprise, the Public Administration Unit may provide the organizational and secretarial inputs on a continuous basis, availing of the country experts working within the Project

VI. FINANCIAL ASPECTS

54. The financial estimates relating to the Project can only be very tentative at this stage. The following chart indicates the magnitude of funds required, year by year, if all the manpower requirements are met; if the actual availability of funds falls short of this figure, the programmes made need corresponding pruning up.

/Chart 5

Chart 5

Cost Sheet I (Meetings)

24 work meetings (8 a year in 1973, 1974 and 1975) with participation of personnel from ECLA and ILPES (this participation is shown in Sheet III) one advisor from UN (New York) and one consultant from Latin America. The UN advisor makes four travels New York/Santiago/New York with a total of 56 days of per diem. The consultant makes eight travels to Santiago with a total of 56 days of per diem.

Cost Item	Source of financing	1973		1974		1975	
		US\$	M/M	US\$	M/M	US\$	M/M
UN advisor (\$ 2 500 monthly)	UN	5 000	2	5 000	2	5 000	2
Consultants (\$ 2 000 monthly)	UNDP	4 000	2	4 000	2	4 000	2
Per diem (2 x 56 x \$ 25)	UNDP	2 800		2 800		2 800	
4 travels (NY/Stgo/NY)	UNDP	3 240		3 240		3 240	
8 travels (return trip to Stgo from point in Latin America)	UNDP	5 440		5 440		5 440	
Total		20 480	4	20 480	4	20 480	4

Chart 5 (cont. 1)

Cost Sheet II (Seminars)

Two seminars in 1974 and 1975 with 30 high-level participants. Each seminar of five days duration.

<u>Cost Item</u>	<u>Source of financing</u>	<u>1974 US\$</u>	<u>1975 US\$</u>
Per diem (30 x 7 x \$ 25)	UNDP	5.250	5 250
Terminal costs (30 x \$ 30)	UNDP	900	900
Travels (average 30 x \$ 500)	UNDP	15 000	15 000
Interpretation (4 x 5 x \$ 64)	UNDP	1 280	1 280
Overtime	UNDP	600	600
Communications	UNDP	500	500
Miscellaneous	UNDP	400	400
	<u>Total</u>	<u>23 930</u>	<u>23 930</u>

Cost for ECLA (such as editorial and secretarial services, use of conference room, reproduction, etc) are not counted for.

Chart 5 (cont.2)

Cost Sheet III (Manpower)

Cost Item	Source of financing	1973		1974		1975	
		US\$	M/M	US\$	M/M	US\$	M/M
1 P-4 <u>1/</u>	ECLA (Econ. Dev. Div.)	17 500	7	30 000	12	30 000	12
1 P-2 <u>1/</u>	" " "	17 500	7	30 000	12	30 000	12
1 Regional Advisor P-5 <u>1/</u>	ECLA (Section 12)	17 500	7	30 000	12	30 000	12
1 Associate Expert P-2 <u>1/</u>	Bilateral programme	17 500	7	30 000	12	30 000	12
1 P-5 <u>1/</u>	ILPES	5 000	2	10 000	4	10 000	4
1 P-3 <u>1/</u>	ILPES	7 500	3	15 000	6	15 000	6
1 P-2 <u>1/</u>	ILPES	7 500	3	15 000	6	15 000	6
4 Consultants (\$ 2 000 monthly) <u>2/</u>	UNDP	48 000	24	24 000	12	24 000	12
1 UN advisor (reimbursable)	UN	10 000	4	7 500	3	5 000	2
1 P-3 or P-2 (two years)	UNDP	15 000	6	30 000	12	15 000	6
1 Expert (one year)	UNDP	-		15 000	6	15 000	6
6 Service contracts for empirical studies	UNDP	4 000	2	4 000	2	4 000	2
6 Service contracts for documentation (CLADES) <u>3/</u>	UNDP	3 000	3	3 000	3	-	
<u>Total</u>		<u>170 000</u>	<u>75</u>	<u>243 500</u>	<u>102</u>	<u>223 000</u>	<u>92</u>

Explanatory notes:1/ The cost of a professional is preliminarily calculated at \$30 000 a year including administrative overhead and social costs. For reasons of simplicity this sum applies to all levels.2/A consultant costs an average of \$2 000 monthly. 3/A consultant for documentation costs an average of \$ 1.000 monthly. Additional input from Natural Resources Div., Transport Div., and Industrial Development Div. is of an informal basis and is not considered as a cost for the project.

/Chart 5 (concl.)

Chart 5 (concl.)

Cost Sheet IV

Project costs distributed by source of financing and year

	1973 US\$	1974 US\$	1975 US\$	Total
ECLA	62 500	90 000	90 000	232 500
ILPES	20 000	40 000	40 000	100 000
UN	15 000	12 500	10 000	37 500
UNDP	85 450	115 410	97 410	298 300
Others	17 500	30 000	30 000	77 500
<u>Total</u>	<u>190 480</u>	<u>287 910</u>	<u>267 410</u>	<u>745 800</u>

/VII. IMMEDIATE

VII. IMMEDIATE TASKS

55. In concluding this document on the design of the project, it would be useful to indicate the immediate tasks to be undertaken for initiating the Project in a planned and systematic manner.

(i) Substantive

(a) Four methodological outlines are immediately necessary; and appropriate arrangements, beginning with the identification of the authors, have to be made. These relate to the research programmes of the Economic Development Division for 1973-1974; the first two research programmes from the angle of public administration, which are interrelated to a great extent; in respect of the country studies, covering sectors, enterprises, all functional aspects or the total national experience in the field of public enterprise. Without such outlines, the work might proceed in an unco-ordinated manner and create problems at the stage of processing the data and the studies and preparing inferential documents described in paragraph ~~14~~¹⁹ above, as the end-product of the Project.

(b) The steering committee should initiate the substantive design of the sequence of the Project in actual implementation.

(c) The substantive details of country studies should be worked out at the meetings, described as initial meetings in paragraph ~~20~~²⁶.

(ii) Manpower

(a) A senior staff member in the Public Administration Unit should be recruited very soon; or else, several parts of the Project and the very interdisciplinary basis of it would be seriously damaged.

(b) 12 man-months for short term consultants, so as to facilitate at least some of the country studies.

(c) Arrangements for special service agreements for the documentation work of CLADES, of about \$ 1,000 as a pioneer measure.

/(iii) Organization

(iii) Organization

(a) A general directive may be given by the Executive Secretary of ECLA initiating the Project and contemplating the assistance of other institutions, particularly in the United Nations family, in the successful implementation of the Project.

(b) The steering group may be formed by the Executive Secretary of ECLA.

(c) The leader (~~RPES~~) of the Project may be nominated by the Executive Secretary of ECLA.

(d) Precise arrangements of a centralized nature for the secretarial services of the Project, including correspondence, filing and documentation, have to be designed.

56. This note has been prepared in the light of intensive and frequent discussions with my colleagues in ECLA and ILPES - Mr. Ricard Cibotti, Professor in charge of ILPES' Training Programme, Mr. Benjamin Hopenhayn, Director of Programming Office of ECLA, Mr. Alfredo Calcagno, Deputy Chief of Economic Development Division, Mr. Héctor Assael, Economic Affairs Officer of Economic Development Division, Mr. Hans Akesson, Associate Expert in Public Administration, Mr. Jorge Ciancaglini, Programme Officer, Mr. Joseph Mullen, Economic Affairs Officer of the National Resources and Environment Division, and Mr. Héctor Soza Padilla, Chief of the Latin American Documentation Centre, who, incidentally, suggested many excellent alterations in the idiom of my translation of this note into Spanish. To all of them I am indeed grateful, In particular, I acknowledge the constant help I received in all aspects of my mission from Mr. Hans Akesson.

57. Basically, I had the invaluable guidance of Mr. Enrique Iglesias, Executive Secretary of ECLA, in formulating a clear approach to the development of the Project outline. I am extremely grateful to him for his kindness and dynamic direction.

