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AREA OF ADVISORY SERVICE PROGRAMMES



INTERVENTION BY MR. EDGAR ORTEGON ON PROJECT
BANKS AND INVESTMENT PROGRAMMING

Proyecto PNUD/ILPES: "Elaboración y Difusión de Nuevas Técnicas en la Planificación y Programación de Políticas Públicas"

Project UNDP/ILPES: "Elaboration and Dissemination of New Techniques in Public Policy Planning and Programming"

Projet PNUD/ILPES: "Elaboration et Diffusion de Nouvelles Techniques pour la Planification et Programmation des Politiques Publiques"

I. THE PROJECT BANK AND THE PUBLIC SECTOR INVESTMENT PROGRAMMING

1.1. GENERAL CONCEPTS^{1/}

The search of economical and social progress by the developing countries necessarily involves the problem of using limited resources in the most efficient way. Manpower, capital, foreign currency and natural resources are usually scarce or limited and must be optimally assigned and used in order to achieve the highest possible growth rate.

Using resources for a project aimed at a given objective, necessarily implies that less resources are available for pursuing other objectives. If the resources are allocated in the most efficient way, more objectives can be pursued simultaneously.

The most simply macroeconomic models state that the economic growth rate of a country is related to the amount of capital investment. More complex models relate growth to some other factors, and make a distinction between investment in physical and in human capital. Attention has also been given to the influence of the quality of investment on the growth rate.

The contribution of the preinvestment process to economic development resides therefore in helping assigning investment resources to those projects that make a greater contribution to national development. To achieve this goal it is necessary to obtain and use efficiently information about the contribution that a given project can make to the national economy.

It is also important to realize the relation that the preinvestment process has with Planning and Budgeting. Economic

^{1/} These paragraphs were extracted from the document "Manual for the Appraisal and Monitoring of Projects". ILPES, October 1987.

planning must be translated into projects. In that sense, the preinvestment process allows to assess the contribution that a given project makes to achieve the goals of the plan. Also, given that in the different stages of the preinvestment process a good estimation of project cost must be made, the information obtained becomes fundamental to elaborate the national budget.

1.2. STRUCTURE

The logical structure of project banks is based primarily on the project cycle. The basic element in its operation is the project. The system registers the most important information about the project in each stage of its life cycle. As the project passes from one stage to another in the project bank, all the information generated in each stage is registered. Thus a complete and up-to-date record of the "vital statistics" of each project is maintained, which makes it possible to adopt timely measures for ensuring success in its implementation and to learn from the strong and weak points of projects which have been completed or shelved.

The amount of information increases as the project progresses through its life cycle. At the idea, profile, prefeasibility, feasibility and design stages, the information registered will always basically be that which throws light on the project's main characteristics which serve as indicators for establishing priorities and taking decisions in respect of the following stages. In the execution stage, however, the information registered will relate to the physical control and financing of the works as they progress. Usually, the volume of this information will be somewhat greater than in the earlier stages. Also, it must be received with greater frequency.

This structure based on the project cycle gives project banks one of their principal advantages. Given the inter- and intra-sectoral character of a project, project banks can serve as

instruments not only for standardizing and facilitating information management but also for effecting institutional coordination.

Project banks should not be viewed as a list of projects but rather as a methodological approach to the programming and monitoring of public investment. They are dynamic in that the information contained in them is in constant flux. Also, the project bank concept includes many elements besides data bases, programmes and computers.

1.3. WHAT IS A PROJECT BANK?

The process of preinvestment generates sizable amounts of information about projects. Furthermore, at any time there are usually many projects at each of the different stages of the project life cycle. Tracking all projects and making an efficient use of the information generated becomes very difficult.

An answer to this problem is the implementation of a Project Bank which is basically an information system about projects. But that is just the start. The information not only needs to be stored, it needs to be rearranged and presented in the most useful way in order to support the investment decision making process.

Also there is a need for methodologies for preparing the information that has to be registered in the system. In fact, any information system can be only as good as the information it manages. Therefore, the methodologies are needed in order to make sure that the information is prepared in a consistent and standardized way, which is a prerequisite for making comparisons between projects and prioritizing them.

But applying these tools is no trivial task. A project

data bank must be supported by trained personnel that can make an efficient use of it. That creates a need for implementing training programs on the theory and usage of the Project Bank.

1.4. HOW DOES IT WORK?

To be able to become a useful tool a Project Bank needs to include the information that is required for supporting the investment decision making process. Of course it is impossible for the Project Bank to register all information available about a given project; it includes only summarized information.

To gather the information about all projects currently being considered or undertaken, a data collection procedure must be instituted and forms for summarizing the information that is going to be feeded to the system must be designed. These forms should be filled by the institutions that are sponsoring each project, because only they know exactly all fundamental aspects of the project.

This summarized information is then entered into the Project Bank. Once this step has been completed, different reports can be generated for supporting Budgeting and Planning. For example, reports can be defined in order to show the funds required for covering recurrent costs of the projects currently being considered for financing. Or reports can be generated in order to estimate the manpower needed for the construction stage of a given set of projects. Also reports could be generated showing sources and uses of funds for investment. Actually, if the system includes all relevant information for the decision making process, reports can be generated to satisfy the needs of information related to investment projects of any institution.

1.5. INSTITUTIONAL FRAMEWORK

The Project Bank is not an autonomous entity that can survive outside the framework of the institutions and procedures that actually exist within the government for dealing with the investment process. The information is generated and used by institutions. Decisions are made on it by people following established rules and procedures. Therefore, the operation of a Project Bank requires the participation of all government institutions.

The Ministries that sponsor projects and are going to be in charge of their implementation should be responsible for preparing the information that is going to be feed to the Project Bank. That information is no more than a summary of the information they are currently managing and which is actually been sent to the Central Office. By filling the forms to summarize the information and having it entered in the Project Bank, they are going to be able to increase their ability to present information requested for the decision making process or by donor or lending agencies.

Any specific office should be in charge of the administration of the Project Bank. That duty calls, apart from the other duties of this Ministry, for:

- Checking the incoming information and eventually requesting the missing information about given projects.
- Appraising the project contribution to the achievement of the national goals and recommending a course of action to be followed for each project.
- Entering the information into the Project Bank.
- Regularly updating the information in the Project Bank.
- Preparing summary reports on the projects that are

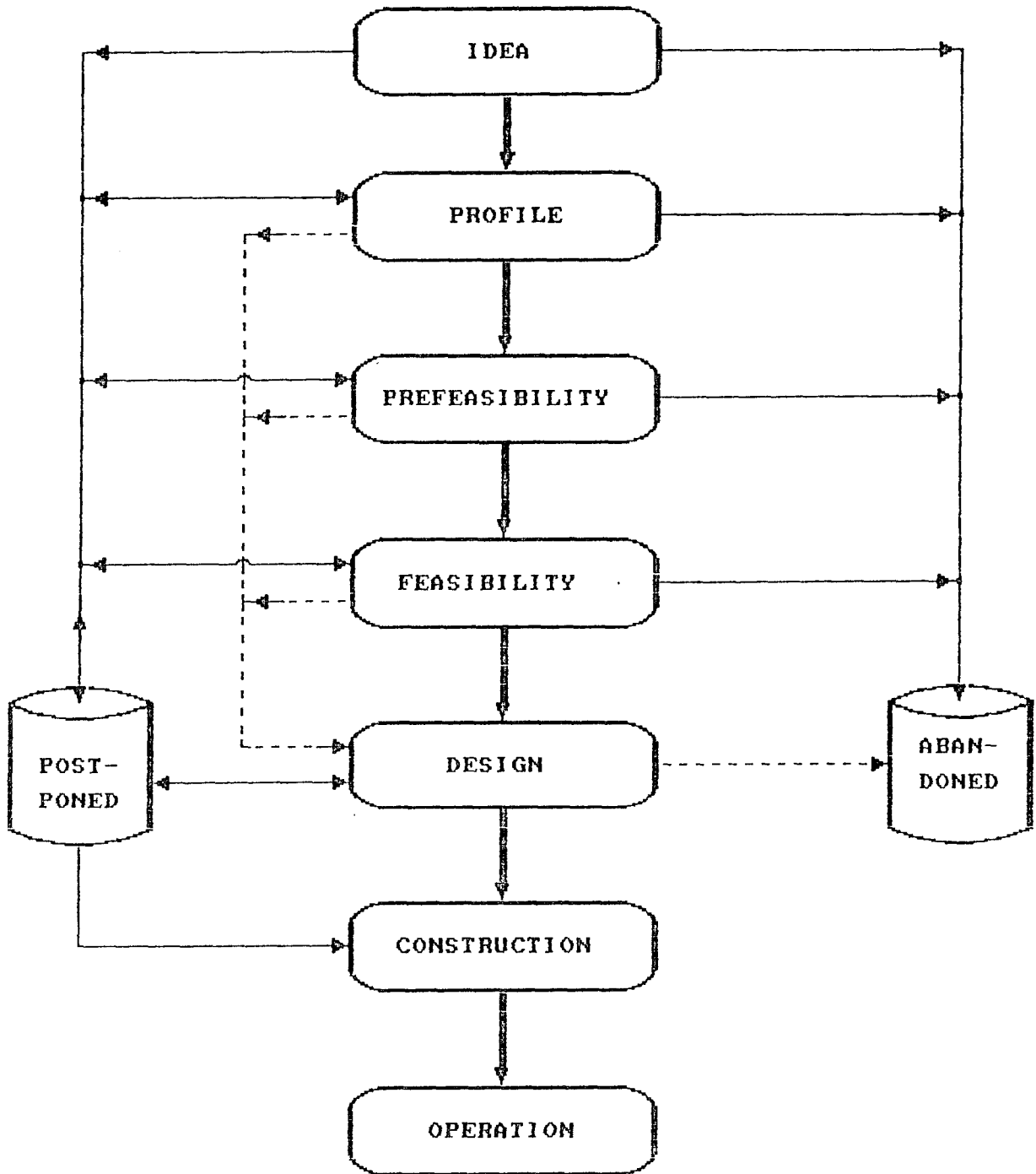
currently been undertaken or on projects which are going to be undertaken in the next fiscal year.

- Preparing any kind of report, at request of another institution, using the information contained in the Project Bank.

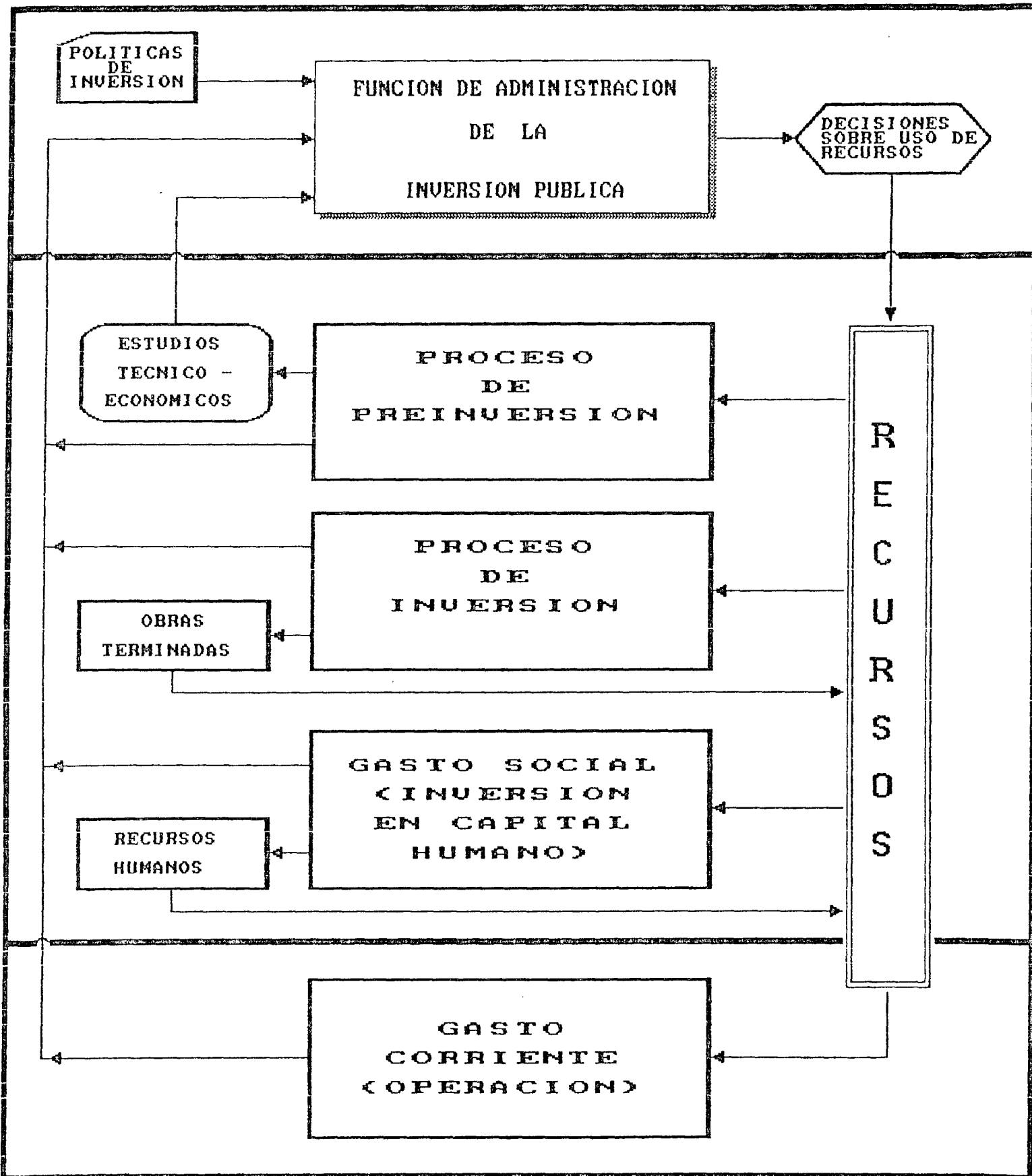
Given that the preinvestment process is intimately tied to the budgeting process, the Finance Ministry should be kept informed on the development of the Project Bank. The information contained in the Project Bank, considering the easiness with which this information can be rearranged, combined and analyzed upon request of the user, could prove a very powerful tool in preparing the national budget.

All the Ministries should also be briefed on the characteristics and potential of the Project Bank, especially considering that they are the main sources for the information it is going to manage. They can also make extensive use of the Project Bank in tasks such as planning their actions for the following years. In that sense, it is fundamental that they have ready access to the information contained in the bank and learn how to make an efficient use of it.

PROJECT CYCLE



EL SISTEMA DE INVERSION PUBLICA



INSUMOS Y PRODUCTOS DE LA
FUNCION DE ADMINISTRACION DE LA INVERSION PUBLICA (FAIP)
Y DEL PROCESO DE PREINVERSION

INSUMOS

PRODUCTOS

