ADMINISTRATIVE ASPECTS OF PLANNING

Papers of a seminar

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Papers of a seminar

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INTRODUCTORY NOTE

In compliance with resolution 81 (VI), adopted by the Economic Commission for Latin America (ECLA) in 1955, a study entitled Public administration in development policy, prepared by an expert from the United Nations Technical Assistance Administration in co-operation with the ECLA secretariat, was submitted to the Commission in 1957.

Since that year, both ECLA and the Latin American Institute for Economic and Social Planning (ILPES) have been giving some consideration to the role of public administration as part of their complementary research, training and advisory activities, although without necessarily giving it priority or dealing with it systematically.

In July 1967, the ECLA Public Administration Unit was formally established, and its first task, as part of its function of promoting Latin American development through the modernization and rationalization of the public administration of the countries of the region, was the organization of the Seminar on Administrative Aspects of Plan Implementation. The Seminar was held at Santiago, Chile, from 19 to 27 February 1968, under the joint auspices of ECLA, ILPES, and the United Nations Public Administration Division and Office of Technical Co-operation.

To satisfy current interest in the administrative aspects of planning, this work reproduces a number of the documents submitted to the Seminar, set out following the order of its agenda and prefaced with the report of the Seminar itself. It is hoped that their dissemination to a wider audience may be of some help in speeding up the progress of development in Latin America.

Santiago, Chile, August 1968
REPORT OF THE SEMINAR
REPORT OF THE SEMINAR ON ADMINISTRATIVE ASPECTS OF PLAN IMPLEMENTATION

(Santiago, Chile, 19-27 February 1968)*

INTRODUCTION

Planning is now regarded as an important means of promoting economic and social development, and almost all the developing countries are using planning to accelerate their growth. Planning has encountered serious obstacles, however, particularly at the stage of plan implementation, which depends not only on technical elements, but also on such factors as the country's will to plan, the availability of economic and human resources and administrative capacity.

Studies reveal that the administrative machinery responsible for plan implementation is one of the most frequent obstacles to planning. The feasibility of plans depends not only on proper co-ordination of their objectives and instruments, and on technical, economic and financial factors, but also on the administrative possibilities of implementing them. Hence the need to specify clearly the institutions, procedures and executive capacity which are to be used.

In the planning process, the administration of plan implementation should be dynamic, flexible and capable of adjusting to changing situations. It should have at its disposal effective means of decision-making and communication, and an efficient system of control which will ensure that the plan is carried out as anticipated or can be adapted to new circumstances.

In order to examine the administrative shortcomings that handicap planning, and to consider and recommend the necessary measures for remedying them, the United Nations, through the Economic Commission for Latin America, the Latin American Institute for Economic and Social Planning, and the Headquarters Public Administration Division and Office of Technical Co-operation, organized the Seminar on Administrative Aspects of Plan Implementation at Santiago, Chile, from 19 to 27 February 1968.

The specific objectives of the Seminar as set forth in the invitation can be summed up as follows:

(a) To examine the question of assigning authority and responsibility for development planning and the relations between planning agencies at all levels and the centres whose policy decisions influence planning; to formulate recommendations for greater participation of decision-making centres in the planning process;

(b) To analyse administrative planning systems in Latin America and seek ways of enhancing administrative capacity to implement development

plans and programmes; to that end, the Seminar discussed existing administrative planning practices, and the preparation and enforcement of administrative measures connected with the execution of projects and central or sectoral development plans;

(c) To examine the administrative organization and procedure for short-term activities within the framework of medium and long-term plans; to indicate whether there are annual operational plans for the whole economy and whether programme budgeting is being used for the public sector, and to provide the necessary guidelines for making annual operational plans and programme budgeting effective instruments of plan implementation; to discuss the administrative requirements for the formulation and execution of annual operational plans and programme budgeting;

(d) To suggest administrative schemes for supervising and evaluating the progress of plans and for adapting them in order to ensure their efficient implementation; to determine whether the established organization and procedures permit continuing supervision of plan implementation at the global, sectoral, regional and local levels.

A. ORGANIZATION OF THE SEMINAR

Opening and closing meetings

The opening meeting of the Seminar on Administrative Aspects of Plan Implementation was held on 19 February 1968 in the Conference Hall of the United Nations building, which is the headquarters of the Economic Commission for Latin America (ECLA) and the Latin American Institute for Economic and Social Planning, at Santiago, Chile. At the opening ceremony addresses were delivered by Mr. Pedro I. Mendive, Assistant Executive Secretary of ECLA, Mr. Chi-Yuen Wu, Director of the United Nations Public Administration Division, and Mr. Ricardo Cibotti, Director of the Institute Training Programme.1

The closing meeting took place on 27 February. Speeches were made by Mr. Ignacio Pichardo, Mr. Chi-Yuen Wu, Mr. Julio César Villegas, and Mr. Pedro I. Mendive.

Attendance2

The Seminar was attended by twenty-two specialists in development administration, administrative reform, economic and social planning and budgetary planning from the following twenty countries: Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela.

1 The text of the speeches is given in annex I to this report.
2 The complete list of participants appears in annex II to this report.
Also present were twenty-seven observers from technical institutions in Argentina, Brazil, Chile, Cuba, Peru and Venezuela and from the following international organizations: the International Labour Organisation (ILO), the Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the World Health Organization (WHO), the United Nations Children's Fund (UNICEF), the United Nations Development Programme (UNDP), the Organization of American States (OAS), the Ford Foundation, and the Latin American Faculty of Social Sciences.

_Election of officers_

At its meeting on 19 February the Seminar elected the following officers:

- **Chairman:** Mr. Julio César Villegas (Peru)
- **First Vice-Chairman:** Mr. Hernán Porras (Panama)
- **Second Vice-Chairman:** Mr. Belmiro Siqueira (Brazil)
- **Rapporteur:** Mr. Hugo Zunino (Chile)
- **Assistant Rapporteur:** Mr. F. A. R. Mullings (Jamaica)

_Consultants and secretariat_

The following persons were specially invited to attend the Seminar in the capacity of United Nations consultants: Mr. Bertram M. Gross, Director of the National Planning Program, Maxwell Graduate School of Citizenship and Public Affairs, Syracuse University, United States, and Mr. Jozef Pajestka, Director of the Institute of Planning, National Planning Commission, Department of Political Economy, University of Warsaw, Poland. In addition to the persons listed in paragraph 6, the secretariat of the Seminar included Mr. Ricardo Luna, Chief of the ECLA Public Administration Unit, who acted as Director of the Seminar; Mr. Aryeh Attir, Senior Adviser and Manager of the UNDP project for the Advanced School of Public Administration (ESAP), Bogotá, Colombia; Mr. Sven Hilding, Associate Expert in Public Administration, ECLA; Mr. Jorge Israel, Organization and Budget Expert, Institute Division of Advisory Services; Mr. José María Jácome, Regional Adviser in Public Administration, ECLA; Mr. Wilburg Jiménez Castro, Director, Central American Institute of Public Administration (ICAP), San José, Costa Rica; Mr. Gonzalo Martner, Deputy Director, Institute Division of Advisory Services; and Mr. Newton Ramalho, Senior Regional Adviser in Public Administration, ECLA.
Agenda

At its opening meeting the Seminar adopted the following agenda:

I. Plan formulation and implementation machinery

(a) General planning machinery and its relationship with decision-making centres in respect of:
   (i) General development policy;
   (ii) Short-term economic and social policy;
   (iii) Public investment;
   (iv) The private sector.
(b) Sectoral planning machinery and how it is linked with decision-making centres (with emphasis on agriculture and industry):
   (i) Agencies for sectoral policy formulation and implementation at the central government level;
   (ii) Centres for nation-wide decision-making concerned with development, credit, prices, government purchasing, technical assistance and other measures which influence the development of particular sectors;
   (iii) Autonomous or decentralized bodies and specialized public (or semi-public) enterprises in a particular sector;
   (iv) Role of regional and local agencies in the formulation and implementation of sectoral plans;
   (v) Role of the private sector in the formulation and implementation of sectoral plans.

II. Administrative planning as an integral part of the planning process

(a) Organization, methods and content of administrative planning at all levels;
   (b) Methods of evaluating and improving administrative capacity to formulate, discuss, approve, execute, supervise and evaluate global, sectoral and regional development plans, as well as programmes and projects.

III. Conversion of the plan into operational programmes

(a) Administrative questions involved in converting the long-term plan into annual operational plans and medium-term public investment plans, including ways of integrating the planning and budgeting processes;
   (b) Projects as components of plans and as units for plan implementation.

IV. Control, evaluation and adaptation of operational plans, programmes and projects

(a) Administrative systems established to control the execution of plans, programmes and projects at the global, sectoral, regional and local levels;
   (b) Organizational systems and procedures for collecting information for the periodic evaluation of plan implementation, analysing the gaps between
targets and results, and suggesting specific measures for adjusting projects, programmes and plans.

Discussion leaders and documents

Twenty-three documents were specially prepared for the Seminar, and in nearly every case the authors acted as discussion leaders during the meetings. Besides introducing their own documents, replying to comments and questions on them, and often stimulating the discussion of the different agenda items, they also took part in the drafting of the report. In addition, five information papers were submitted to the Seminar.

B. PLAN FORMULATION AND IMPLEMENTATION MACHINERY

General planning machinery and its relationship with decision-making centres

There was general agreement that socio-economic development could be speeded up by a process in which planning, in the broadest sense of the word, played the most important part. Administration must necessarily be adapted to the requirements of that process. The administration as a whole, and in particular, the political and executive authorities, had to be dynamic, flexible and pragmatic, and have sufficient vision to bring about or conform to the changes required to guide future activities along more appropriate lines. This process of planned development was still in its infancy in most of the developing countries.

Since the administration of development was a new and very complex activity, planning not only served to shape and promote it, but in itself provided a fund of useful experience which helped to improve development strategy.

Planning should also be undertaken in such a way as to be viable in present conditions. In other words, it should take each country’s environmental factors, characteristics and requirements into account, and pay special attention to the plethora of decision-making centres, which should be mobilized and co-ordinated by the top-level political authorities with the advice of the central planning agency.

Within the planning process there was a network or complex of participating agencies with varying degrees of importance or influence, which might be described as a central guidance cluster. The participants in the Seminar felt, however, that in discussing this system it would be preferable to refer to the “central planning agency”.

It was felt that, in general, the limited efficiency of planning was due to three main factors, which were:

(a) Insufficient attention to environmental factors of a political, economic, social and institutional nature;
(b) Shortcomings in planning methods and procedures;
(c) Shortcomings in implementation.

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3 Annex III to this report, contains the list of documents.
The Seminar was of the opinion that in assessing the factors that determined efficiency of planning, it must be borne in mind that the developing countries required a particularly vigorous and dynamic planning process. The planning methods and procedures used and the type of policy measures adopted should be geared to the need for that kind of active process, and that had a pronounced effect on the organization of the planning machinery and on its *modus operandi*. One participant maintained that the dynamic type of planning needed to produce rapid and far-reaching changes in the structure of production could only be achieved by first nationalizing the principal means of production. This view was not, however, shared by the other participants.

The way in which the central planning agency was organized and operated was particularly important if it was to exercise its function of formulating alternatives for national development policy, and fulfil one of its main responsibilities, that of guiding and co-ordinating the host of minor planning centres to be found in the government, and in centralized and decentralized agencies, both public and private.

Some participants pointed out that there were strong reasons for encouraging independent institutions to undertake research on development planning. Such institutions could not, however, replace a government planning agency.

It was pointed out that the function of planning was to provide guidance, which meant that the political authorities should take an active part in it. Consequently, the location of the technical planning machinery should be such as to facilitate co-operation and a continuous exchange of views between the planning experts, on the one hand, and politicians, on the other. In addition, the central and sectoral planning offices should keep up a dialogue on social questions with organized and even unorganized social groups. This dialogue, together with teamwork, was a basic working principle of efficient planning methods and procedures.

For planning to be successful, it must find wide acceptance in the community as a whole, which must participate broadly in it. That did not necessarily mean that a social consensus was an essential condition for the approval of the plan. The very existence of social groups with opposing interests signified that planning, regarded as a process of change of importance to the country in general, would always meet with opposition from certain groups that it affected.

Communication between planning agencies and the political authorities was hampered when no clear-cut development strategy existed. If the whole development problem were clarified, it might be possible to formulate an agreed development policy which would facilitate communication not only between planning agencies and the political authorities but also between the centralized and the decentralized agencies.

The central planning agency should accordingly be close to the top executive authority (President, Prime Minister, Cabinet) and, ideally, under its direct control. Some participants felt, however, that there were other possible solutions.

It was considered expedient that, in addition to the technical planning machinery, an agency composed of politicians and planning specialists (e.g., a
committee) should be set up to direct the planning process and provide a forum for a dialogue between the two groups.

It was the responsibility of the central planning agency to provide the necessary background information for decision-making. There was some discussion on whether the functions of the planning agency might properly be described as advisory. Although theoretically speaking this description might be correct, it was felt that, in practice, the planning agency should have the necessary status to exercise a stronger influence over the various government bodies.

The following were considered to be the main functions of the central planning agency:

(a) To submit to the political decision-making bodies alternative economic and social objectives and policies, together with a statement of their respective costs and benefits.

(b) To prepare long- and medium-term development plans and annual operational plans. It was felt that such a function could be adequately fulfilled only if all the requisite policy measures were formulated in the development plans. Some participants argued in favour of having the annual plans prepared by the central planning agency. An alternative suggestion was that such work should be entrusted to the Ministry of Finance or to some kind of independent research institute, but there was little support for that view.

(c) To supervise plan implementation. As a general rule, the central planning agency should not have executive authority; but its functions should include supervision of plan implementation, to which task it should devote a considerable proportion of its efforts. It was maintained that such supervision made the planning system more flexible, since plans could be adapted to real situations and new opportunities; and likewise that it helped in devising the economic policy measures that should be applied.

(d) To promote planning in public and private agencies, and the modernization of public administration to respond to the needs of planning.

Stress was laid on the multidisciplinary nature of planning and it was therefore suggested that meetings of experts should be held with a view to examining this aspect.

In discussing the application in developing countries of techniques used in highly developed countries, stress was laid on the need to ensure that both production and administrative techniques were compatible with cultural and other conditions in the developing country concerned. That did not mean that the less developed countries had nothing to learn about public administration or economic and social development from the more advanced countries or from other developing countries, or that a developing country should not adopt sophisticated techniques to speed up its development. There was no reason, for example, why a country should not use electronic automatic data processing without having used slower methods previously.

Every possibility of applying advanced methods and technology should be explored to the full, but without losing sight of cultural and other environmental factors in the country. In point of fact, increased productivity had been and should continue to be one of the principal means of furthering economic and social progress. In developing countries, efficiency and productivity should be
measured in terms of the country’s development strategy, or in terms of the type of resources used and their impact on the economic and social system.

In the discussion on the possible length of medium-term plans, it was suggested that a period of from three to five years would perhaps be the most appropriate in most countries. As experience has shown, longer periods entailed too many revisions and adjustments, since it was very difficult to foresee the details so far ahead.

There was general agreement on the part that technical assistance could play in improving the administrative machinery for plan implementation. In general, it was felt that judicious use of technical co-operation, either for advisory or training purposes or as a means of carrying out an objective review of the administrative system in addition to the indispensable built-in evaluation process, offered immediate and lasting advantages. It was clear, however, that technical assistance could not replace decision-making at the national level, or the formal or methodological aspects of the administrative process.

The Seminar recommended the stepping up of systematic research in the field of public administration in government agencies, universities and other specialized centres, with interdisciplinary participation on the part of the various social sciences.

*Sectoral planning machinery and how it is linked with decision-making centres*

In the discussion of agenda item 1(b), the institutional framework for sectoral planning was considered in the light of the government’s dual responsibility — political and administrative — for development.

On the basis of an analysis of a representative sector, such as industry, the suggested structure of institutions and functions considered by the Seminar had the following characteristics: a high degree of independence for the sectoral planning machinery (the core of which would be a sectoral planning office within a Ministry of Industry and Trade) vis-à-vis the central planning agency; a clearly defined pattern of co-operation between planning bodies and the regular implementation units; special working groups for the execution and review of specific projects; and institutionalized relations with the private interests of the sector.

The proposal also assumed that the Ministry would participate in the planning of manpower development and education in relation to the sector, and it was suggested that the Ministry should take an active part in the promotion and organization of applied research, in accordance with the priorities established in the plan.

Most of the ideas and suggestions put forward arose from three matters of administrative concern: the co-ordination of plan formulation between the central planning agencies and the sectoral offices; the conversion of plans into realistic and feasible programmes and projects; and the implementation of sectoral programmes with the help of the many dispersed and independent private interests involved in most of them.
The discussion underlined the importance and complexity of all those questions. It had been found in several countries in the region that short-term operational planning had been held up by the lack of functioning sectoral planning machinery. It was felt, therefore, that stronger ties between formulation and implementation units would greatly facilitate all the activities envisaged in the plan.

Some participants pointed out, however, that there were risks in giving too much independence to sectoral organizations in plan formulation. In the generally accepted view of planning, long-term strategic considerations were undoubtedly the responsibility of the central planning agency. In other words, the central planning agency should not be responsible only for the mere passive co-ordination of the decentralized processes of sectoral planning, it should provide effective leadership. That would ensure a high degree of flexibility in the distribution of resources among sectors, and sometimes in their subsequent redistribution. It would also facilitate proper inter-ministerial co-ordination for the various projects.

On the other hand, it was recognized that the fact that certain types of central planning agencies were not in a position to influence decision-making hampered sectoral planning; in such cases the degree of decentralization would be determined by the inherent dynamics of the planning process.

Since, whatever the degree of decentralization, the central planning agency would have to be fully conversant with the work of the sectors, it was essential that there should be proper co-operation between central and sectoral planners. It was stated that the central agency should always assign staff to follow sectoral operations closely.

Another aspect of the whole problem was the role of macro-economic models in the planning process. Some doubt was expressed as to whether such models would be able to identify, at the micro-economic level, the administrative and institutional arrangements required to achieve optimum results. It was even stated that several of the macro-economic models used had been nothing more than theoretical exercises which had failed to give much useful guidance at the sectoral level.

The Seminar then discussed the question of extending the analyses to non-economic sectors, in view of the need for integral social development (in education, health, and social welfare). Some participants stressed that the proper training of key personnel for sectoral development was a very valuable administrative instrument in sectoral development planning.

There was general agreement on the need to improve the instruments for including private interests in the planning process, especially in sectoral programmes that had to be carried out with the help of independent interests. Although no specific recommendations were made regarding ways and means of incorporating those interests, there was almost unanimous agreement that a formal structure of institutions or negotiating machinery was not the final answer. In practice, there would always be changing practical considerations which could not be contained within the formal framework and which lay outside the scope of general discussion. The best way to ensure acceptance of the plan and co-operation in its implementation was to prove its practicability and usefulness in the development process.
C. ADMINISTRATIVE PLANNING AS AN INTEGRAL PART
OF THE PLANNING PROCESS

It was generally agreed that the public administration should be capable of
meeting the need for change inherent in the development process. Public
administration represented an important part of the social structure and as such
it was one of the elements stimulating or arresting action. Therefore, it was
essential to promote programmes for modernizing the present public adminis-
tration in the Latin American countries through deliberate, consistent and
well-balanced action.

It was also felt that, in order to expedite such change, the same principles of
scientific analysis as those applied in accelerating social change in other areas
should be applied to public administration.

Until a few years ago in some countries, such changes had not been brought
about by consistent action, but had simply reflected additions to the existing
structure. In some cases the only aim of administrative reform had been to
increase the effectiveness of government action and to overcome obstacles that
were fairly easy to identify. Planners had been actuated solely by enthusiasm for
the new principles of rationalization underlying the administrative theory that
had been recently introduced into the scientific and technical spheres of their
countries.

With economic and social planning and the administrative obstacles
encountered in plan implementation, it had clearly become necessary also to
co-ordinate administrative planning closely with economic and social planning,
and thus making it a useful element in the development process.

The Seminar noted that a permanent administrative planning process made it
possible to establish objectives for attainment within a specific period of time,
that it was based on policies and found expression in plans, programmes and
projects, and that it made for the efficient use of resources, as a means of
improving administration at any given level.

The aim of administrative planning linked to socio-economic planning was to
secure maximum efficiency in the use of administrative resources at all stages of
the planning process, with a view to speeding up development by increasing the
yield of inputs and thus ensuring the corresponding expansion of the product in
terms of goods and services. Such an approach gave administrative planning a
new raison d'être and made its usefulness readily understandable.

The administrative planning process should begin with an evaluation of
administrative capacity in relation to development requirements, in order to
identify bottlenecks, deficiencies and lacunae as a basis for projecting the desired
development of that capacity, with all that that involved. The next step was the
careful programming of the various alternative measures that could be chosen to
improve the capacity in question. The most feasible should then be selected and
applied, the reforms introduced should be followed up and amended, if
necessary, and the partial and final results obtained should be periodically
evaluated.

The participants were of the opinion that the adoption of planning by nearly
all the countries of the region was a significant step forward towards the
modernization of public administration, since planning was designed to
rationalize policy and action. Nevertheless, it would not always be easy to introduce a discipline based on rational and efficient methods into inefficient government sectors, since inefficiency was one of the characteristic features of under-development.

Opposition and resistance to planning and change had frequently come from the traditionally powerful political and financial groups inside the Government itself, which often had a decisive influence in framing State policy.

The Seminar felt, however, that the problems which had delayed the acceptance of planning in Latin America could not be blamed entirely on the distrust of the conservative politicians. There was also the question whether many of the obstacles had not been created by lack of technical experience in handling a new and complicated procedure, or whether too much emphasis had not been placed on the theoretical rather than the practical. The political cost of choosing one economic alternative in preference to another had often been ignored, regardless of the fact that it was politicians who took government decisions. One of the starting points for administrative reform was, therefore, an analysis of the system of decision-making.

One of the most important points to define in administrative planning was the strategy to be used in introducing modernization measures, in order to achieve the social changes required.

In considering the reforms attempted in the region, it was felt that in many cases the strategy had not been properly analysed and was not sufficiently clear-cut. At times there were a number of factors favourable to the reform movement which seemed likely to ensure its success: government support, financial resources, local trained personnel, external technical assistance, and public interest; nevertheless, after a promising start the programme lost its impetus and came virtually to a standstill. The reason was often because there was no clearly defined long-term strategy attuned to the political and social set-up of the sector being modernized.

Administrative planning should be carried out on systematic lines. It should start with a careful examination and analysis of the public administration in order to determine its structure and problems. Those problems should then be quantified and classified by order of importance.

The next step was the over-all programming of the reform. That involved the establishment of general objectives and policies, linking one sector with another, estimating the resources required, assigning priorities and choosing a long-term strategy for achieving the proposed objectives. That was the frame of reference for medium- and short-term action.

The next stage consisted in the sectoral analysis and programming of administrative reform, beginning with the priority sectors in national development activities. Since each sector was programmed as part of a fairly uniform and consistent whole, it did not constitute a separate unit acting independently of the rest. The sectors were linked by a whole network of interrelationships, and there were even areas in which no clear dividing-line could be drawn between them. These interrelationships, too, should be determined, analysed and taken into account in sectoral administrative programming.
Once a clear view had been obtained of the over-all and sectoral administrative pattern, the reform should be initiated through the careful preparation and proper execution of specific projects in each sector.

It was pointed out that it was a rare occurrence for favourable combinations of circumstances to bring together all the political, social and economic conditions required for the launching of an over-all administrative reform programme likely to be successful over the short or medium term. In most cases, however, because of the breadth of the field of action, the magnitude of the difficulties to be overcome and the shortage of financial and specialized human resources, it was advisable for reform measures to be applied wherever they were most urgently needed, and particularly in areas which might, in their turn, become nuclei generating the driving force for broader, more far-reaching and more dynamic reforms.

The strategy of partial reforms did not imply, however, that isolated areas should be dealt with at random. The goals of this type of action were those established in the over-all administrative plan — the general frame of reference for partial action — and they were pursued by means of clearly defined sectoral programmes. Reform generally had to start with whatever projects were politically and administratively feasible, and therefore had the best chance of success; rational use had to be made of the resources available, in order to set in motion the multiplier effect which would speed up the action taken to modernize administration.

Throughout the implementation stage, the programme of action should be flexible. What was of fundamental importance was constant appraisal of the progress of reform on the basis of periodic comparison of the situation at the time when the evaluation was made with the original frame of reference. Partial adjustments had to be introduced into the original over-all and sectoral programme as new factors emerged that could hardly be foreseen at the outset. That did not mean that the original frame of reference should be discarded, or modified to such an extent as to render it useless.

In common with economic planning, administrative planning was a function that required properly trained and motivated technical personnel in different fields.

It was pointed out that, in Latin America, there was a severe shortage of specialists, particularly in public administration, with sufficient training and experience to intervene in government policies of administrative reform. The Latin American universities were called upon to play a basic part in training high-level personnel in administration. They should therefore organize training programmes, refresher courses and in-service training in line with national development requirements.

Organizational resources for administrative planning should be developed in a dynamic and flexible way, and interrelated systems set up to perform the work of administration. Those systems should be carefully dovetailed with the traditional government machinery so as to become an integral part of the State's operations.

The administration was an entity in itself, made up of isolated agencies and of systems composed of a central agency with regulatory and co-ordinating functions with respect to peripheral units established as the need arose. Some of
these systems, such as those relating to public health or transport, were organic in nature, while others were administrative. Of the latter, some should be considered top priority because they promoted, stimulated and rationalized change in the development process, while others were auxiliary in nature.

The priority administrative systems included those relating to planning, budget, administrative reform and a modern, active personnel system, and they should come directly under the Chief Executive. Other administrative systems, such as those relating to statistics, accounting, purchases, supplies and storage, should, in view of their auxiliary nature, come under some Minister of State.

The priority systems should be regarded as the headquarters or central directive, and the others as central auxiliary services.

It was agreed that experience had shown that it was desirable to have committees, or councils at the level of the Chief Executive, to act as advisory bodies and to provide a link between policy making and administrative and planning reform.

It was stressed that men in government service had a vital part to play in the process of change, as they were responsible for translating the functions of government into practical terms and for applying policies and measures, means and systems within the process of national development. Hence, it was necessary to attract the elite in each country, to develop their capacities to the utmost and to retain them in the public service. For that purpose modern systems of personnel management should be adopted that were based on merit and could be adapted to the conditions prevailing in each country.

The modernization of administration was of incalculable importance for the development of Latin America. It was a never-ending task because the march of progress could not be halted. Every government, politician, specialist and man in the street in Latin America had a fundamental part to play in the process of administrative reform.

Experience had shown that small nations could attain ambitious socio-economic goals which were a challenge to the rest of the world. The mobilization of society and popular enthusiasm in the pursuit of ambitious national objectives could considerably raise the rate of development. It was of the utmost importance that social initiative and the creative forces latent in human nature should be freed. It was possible to have a seemingly sophisticated planning system, at a high technical level, and still achieve nothing, if the real social forces were not accorded their proper role.

D. CONVERSION OF THE PLAN INTO OPERATIONAL PROGRAMMES

The Seminar pointed out that one of the important obstacles to the implementation of long- and medium-term plans was the lack of instruments for converting them, with the necessary precision, into short-term plans. On the basis of the approach to short-term planning put forward by the Institute, the Seminar discussed the need to adopt annual operational plans in Latin America.

According to this approach, the annual operational plans is the result of a process whereby, for the short term and within the framework of the development plan, targets (of a compulsory nature) are established for the public
sector and guidelines are laid down for the private sector, through direct or indirect government measures (regulations, establishment or prices, taxation, financing, etc.). In addition, the annual operational plan lays down the financial, material and manpower resources required in order to attain the targets, and determines when and where the activities will be carried out (e.g. it contains a breakdown of targets and resources for sub-periods within the year).

The proposed short-term planning methodology discussed includes two different instruments: the annual indicative plan and the annual operational plan. The annual indicative plan is a set of projections of macro-economic variables which express the aggregate targets to be attained. It is intended to facilitate the adoption of macro-economic decisions. For this purpose, it defines the criteria governing the level of gross product to be attained, the desired investment rate, the level of public and private consumption, the balance-of-payments position, etc.

The annual indicative plan provides the general framework for the subsequent formulation of the annual operational plan, which specifies the programmes, activities and individual projects to be undertaken, and the economic policy measures needed to ensure a specific allocation of resources in the economy. It is, therefore, suggested that the annual operational plan should be made up of:

(a) An economic budget at the aggregate and sectoral levels;
(b) A fiscal programme budget (excluding State enterprises);
(c) A budget for State enterprises;
(d) A national investment budget;
(e) A monetary budget;
(f) A foreign trade budget;
(g) Decisions on the behaviour of the economic units;
(h) An economic policy and strategic projects programme for the private sector;
(i) Projected balances of human and material resources.

While the indicative planning process involves the consideration of macro-economic variables and top-level decisions (central planning agency, central bank, the Executive and Parliament), annual operational planning is primarily concerned with the application of the micro-economic analysis at intermediate and lower levels of the centralized and decentralized administration, although the final decisions also involve the Executive and the Legislature.

Most of the Latin American countries have worked with indicative plans, but many have failed to make their monetary, foreign trade, price and wage policies, etc., compatible with one another and with the targets assigned to the public and private sectors.

It was pointed out during the discussion that the operational plan should resemble a projection of a dynamic and flexible balance-sheet in which the operational economic policies were very closely interrelated. Emphasis was also placed on the need for close links between plan formulation and plan control.

With respect to financing, the Seminar stressed the need to prepare tables of investment-financing and of sources and uses of funds as a means of facilitating studies of the feasibility and effects of the financial schemes, from the economic, political and social standpoints.
It was generally agreed that the breakdown of operational plans by sectors and regions would be extremely useful for determining State action and preventing undue dispersion of resources.

In that connexion, it was pointed out that it was desirable to prepare sectoral programmes reflecting the substantive objectives and targets, and to distinguish them from support activities for the basic programmes. Stress was also laid on the importance of making a distinction between key sectors such as agriculture, industry and mining, and such sectors as education and health, which were, at one and the same time, means of attaining economic goals and development ends in themselves.

As programme budgeting should be a reflection of the operations of the public sector, it was felt that it was one of the mainstays of annual plans and it was recommended that constant efforts should be made to improve it.

It was desirable that the public sector should participate in the formulation of short-term policy, since in this way it could inform the State agencies of its aspirations and problems, and of the prospects for attaining the physical targets assigned to it. Moreover, data on production, consumption, employment, etc., in the sector were indispensable for diagnoses of particular situations and the measures needed to deal with them.

In discussing investment projects, the participants considered that the only way to facilitate the choice of the best solution was for new projects to be constantly devised. Consequently, it was essential to promote the elaboration of projects and one method would be to establish training programmes in this field.

It was pointed out that annual operational plans could be a useful aid to decision-making in the legislative process because they afforded a complete picture of State action and its relations with the private sector. Consequently, they constituted a guide for programme and project managers. In fact, it were the programmes for basic project implementation and financing drawn up by budget periods (months, quarters, etc.) that determined the time-tables for carrying out works and activities, and indicated when domestic and foreign capital would be needed.

Special interest was shown in the application of process programming techniques, such as the critical path method, for determining the stages of the projects and who should be responsible for their implementation.

To facilitate the final co-ordination and approval of annual operational plans, it was recommended that a consultative committee should be established, composed of representatives of the agencies responsible for planning, budget, foreign trade, and price and wage policies, and central bank officials.

The existence of annual operational plans might facilitate the rationalization of administration by pointing to the need to eliminate antiquated legal and accounting control procedures, unwarranted independent administrative units and other obstacles to sectoral adjustments and to other essential measures for the most economic implementation of priority programmes.

The participants stressed the need to make the action of the executing agencies more dynamic, by stimulating their creative capacity, cutting through the red tape which trammelled their activities, and increasing their power of decision. Training programmes should have a similar bias, so as to develop initiative, executive ability and the habit of unremitting self-criticism.
According to the approach put forward by the Institute, planning should be viewed as a three-fold operation: development strategies, medium-term plans and annual operational plans.

Development strategies should be formulated to create an image of the future, without the institutional, legal and formal limitations inherent in the short-term view. They should indicate the stages of execution and the basic changes and projects to be carried out. They should define different development options and thereby provide a motivation for the broad masses to overcome the difficulties facing the Latin American countries.

Medium-term plans should indicate aggregate, sectoral, regional and basic-project goals and objectives, as well as the human and material resources needed to achieve economic and social development within a specific period of time.

Lastly, annual operational plans should be the basic instruments for the implementation of the strategies and medium-term plans.

In the discussion of the administration of development projects (agenda item III (b)), it was pointed out that such projects were intended to marshall resources and devise action-oriented methods of achieving specific development goals, and that they usually required the creation of new bodies outside or within the existing administrative structure.

The Seminar considered that, of the administrative problems raised by development projects, particular attention should be given to determining: (a) what kind of organization was most appropriate for the administration of the project; (b) what kind of special personnel arrangements, if any, should be made; (c) what special methods and procedures should be adopted for the administration of the project. It might, on occasion, be appropriate to use the project administration as an “island of excellence” which would have a beneficial influence extending beyond its immediate sphere and which would have a demonstration effect for the administrative system as a whole. On the other hand, preferential treatment of development projects might starve the rest of the administration of qualified personnel and administrative leadership. As always, the solution to that problem would depend on the estimated marginal utility of one or other course of action.

Feasibility studies on development projects often dealt only with technical and economic aspects. The Seminar felt that the time had come to add the question of administrative feasibility to such studies.

When a development project was completed, it was necessary to dismantle the project organization, utilize its personnel in other projects and transfer the management of the project to another organization with different personnel. All such arrangements should be planned well ahead of time.

E. CONTROL, EVALUATION AND ADJUSTMENT OF OPERATIONAL PLANS, PROGRAMMES AND PROJECTS

It was affirmed that planning had made it necessary to institute a new system of control, which was intended mainly to reveal the divergence between the objectives of the plan and the extent to which they were attained, as a means of facilitating the requisite adjustments. Such divergence might be the result of
imperfections in the plan or in the executing agency, or of unforeseen circumstances.

Such control should facilitate the gathering of information which would make it possible to secure a balance between the objectives established in the plan, the means of implementation, and internal and external influences. Control should therefore be a continuing process, i.e., it should proceed parallel with implementation. It should also be conceived of in very comprehensive terms, so that it covered measurement of the results achieved, comparison of the results with the targets established in the plan, analysis of the observed discrepancies and their causes, definition of corrective measures, and their feed-back into the system.

The measurement of results should cover the internal performance of the system and significant changes in the environment. A number of organs might participate in the stage of measurement; they should specifically include the statistical, accounting and budget units. The functions of accounting and budgeting should also play a key role in the stages of comparing the results with the targets, and the analysis of discrepancies and their causes. The accounting system should be able to provide a means of measurement in physical and financial terms for the whole of the public sector including decentralized agencies, and supplementary data on the private sector.

The analysis of discrepancies and the definition of corrective measures constituted the evaluation, which should be the responsibility of the central and the sectoral planning agencies, although executing agencies might also, and even more frequently, evaluate their own operations.

The main difficulty in defining corrective measures lay in the capacity to forecast their impact on the system. That involved a problem of functional relationships between the variables, which was easier to solve on an economic than on a purely social plane.

Control should be comprehensive, i.e., it should cover the public and the private sector, the macro-economic and the micro-economic; it should be focused on the levels of execution (plans, programmes and projects); and it should be integrated in nature, or composed of a co-ordinated set of specific procedures for each level.

The levels of control could also be determined qualitatively or by taking the time factor into account.

In the first case, the three levels of control were: the global plan, the sectoral and regional plan, and projects and activities. Local plans, because they were nearly always autonomous in nature, did not usually constitute a level of control.

Under the classification according to time, the levels of control would be in relation to the long, medium and short-term. The information gathered from control at the short-term level was also useful for the medium and long-term, since it was an indication of trends.

As was clear from the discussion, a control system at the global sector-region and project levels entailed the establishment of the following basic units: a measurement centre, a review and evaluation centre, and a decision centre. At each level, the measurement units reported to the review and evaluation units, which, in their turn, submitted proposals for corrective measures to the decision
centres at their own level (feed-back), at the higher level, or at both, as the case might be.

The measurement centres, also known as "sensors", had to use indicators in order to make the measurements required. Those indicators should find their first source in the specifications of the plan and should be used in expressing the various targets. In addition, the plans should contain sufficient reference material relating to the conditions of implementation under which the targets were to be attained. The control system must include measurement centres for the private sector and for the external sector.

The quantity and quality of the data would vary according to the level of control. At the operational or project level, the data would be directly linked to basic operations and would be expressed in both physical and financial terms. At the sectoral-regional level, data on public-sector projects and private-sector operations would be required. At the global level, the information needed would include inter-sectoral comparisons, evaluation or effectiveness of policies, etc. In other words, with the transition from the project level to the sectoral-regional level and the global level, the importance of financial, economic and social data and of macro-economic variables progressively increased.

The periodicity of the data would also vary with the level of control. The problem of establishing the optimum duration of the cycle — measurement, control, decision, feed-back — was basically one of balancing the cost of control against the benefits deriving from more regular plan implementation. In principle, in so far as the marginal benefit was greater than the marginal cost of control, the degree of control should be increased.

The main difficulties in reducing the time-lag at the stages of measurement and control stemmed from the procedures in current use for the collection and analysis of data, which as a rule were closely linked to financial administration procedures. It was particularly necessary to harmonize the budget and control cycles.

In the field of plan control, the following would seem to be the chief problems still outstanding in Latin America, according to the research carried out so far:

(a) Defective organization at the project level; priority should be given to definition and demarcation of responsibilities and authority with respect to corrective measures;
(b) Lack of co-ordination of the control procedures applied at the different levels;
(c) Inadequacy of the data provided by the national accounts system;
(d) Shortage of information on private-sector projects;
(e) Absence of annual operational plans.
Annex I

OPENING ADDRESSES

Statement by Mr. Pedro I. Mendive, Assistant Executive Secretary of the Economic Commission for Latin America

On behalf of the Executive Secretary of ECLA I have great pleasure in welcoming you most cordially to the Commission's headquarters for the inauguration of the Seminar of Administrative Aspects of Plan Implementation. Organized by the United Nations through ECLA, the Institute of Economic and Social Planning and the Headquarters Division of Public Administration and Office of Technical Co-operation, this Seminar has brought together a number of distinguished persons and specialists, whose presence here guarantees a high-level debate and encouraging results.

As you are all aware, there is a close relationship between public administration — or, in other words, the administrative aspects of development planning — and the objectives of such plans and programmes. The three basic objectives they ultimately seek are, first, substantially to increase the growth of the product and income; secondly, to speed up the reform of the production structure; and, thirdly, to make the prevailing pattern of income distribution in Latin America considerably less regressive; and it is the sound administration of such plans during their preparation, approval and operation that will make those objectives attainable.

Let us take a rapid glance at the economic and social situation in Latin America today and at the way in which it has developed since the Second World War. This will enable us clearly to define the subject-matter and scope of the Seminar that we are now inaugurating.

The two factors that had accelerated the growth of the product between 1945 and 1950, to wit, the heavy drawing on external resources to satisfy the pent-up demand for essential imports accumulated during the war, and the rapid expansion of external demand for Latin America's raw materials and foodstuffs, lost their dynamic force towards the end of the early post-war period, with the result that the growth of per capita income became almost negligible, falling from an annual rate of 2 per cent during the nineteen-fifties to only 1.1 per cent up to now in the present decade.

Owing to the sluggish tempo of growth over the last ten years, the pace of the structural changes in capital, investment, employment and income has failed to quicken. In fact, it has been even slower than during the war. The secondary and tertiary economic activities, that is, manufacturing and services, have achieved only a fractional increase in their share of the gross product, so that the share of the primary activities has remained almost the same.

One of the main aims of the development process in Latin America is to change the structure of the economy, but little has been achieved in this respect during the last few years. As you all know, this failure to make significant progress in modifying the structure of investment and of the product and employment is weakening the dynamic forces within the economy, preventing domestic supply from responding more flexibly to the rapid changes that take place in demand as income levels rise and thus making for more stable and orderly development, and undermining the efforts to make the domestic economy less sensitive to external factors.

What is more, the slow tempo of structural change patently militates against the possibility of minimizing the regressiveness of income distribution. Both the sluggish growth rate of the product and the lack of response to changes in the pattern of demand, and the tardiness with which employment and investment are rechannelled from activities where productivity is relatively low into others where it is higher, are among the factors that obviously account for the perpetuation of a rigid income distribution structure.

I have already said that the dynamic forces in Latin America's development are still largely dependent upon the evolution of the external sector, or, in other words, upon net income from foreign trade and movements of capital. Undeniably, in some of the past ten years external-sector trends have been favourable, at least up to a point. Yet even on these occasions product and income have not responded to the stimulus thus provided. It would seem that the spontaneous action of the traditional dynamic forces no longer suffices to
promote the attainment of basic growth and income-distribution objectives. Clearly a number of obstacles bar the way.

Here in Latin America we have long realized how matters stand in this respect. Hence almost every country in the region possesses or is preparing over-all or sectoral plans designed to ensure more rapid and orderly economic growth. The old-fashioned notion of incompatibility between spontaneous growth and programmed development was discarded years ago by governments and peoples alike.

Latin America has plenty of sound knowledge and experience of programming techniques at the technical and practical levels; but where plan implementation is concerned the region’s position is much weaker. Formidable handicaps and obstacles of all kinds hinder the full and well-organized implementation of development plans. There is no need to review them all here. Only one of them is relevant to the work of the present Seminar: it consists in the administrative problems attaching to the formulation, adoption and implementation of development plans or programmes.

The provisional agenda for this Seminar draws attention to the close linkage between the administrative aspects of planning and the vast assortment of problems that range from the organization of the public administration down to the minutiae of budgeting and accounting procedures. All the interrelationships involved call for thorough study and discussion.

The background document for the present Seminar reflects these considerations, together with the intention to provide a factual basis for the proceedings through research on the characteristics of planning in Latin America. To supplement the data thus furnished, papers have been prepared by specialists in the individual countries to which they relate. These papers describe the efforts made to adapt the administrative machinery to the requirements of plan formulation, adoption and implementation. They give an account of the technical bases for the reforms introduced in this field and of the strategy applied in putting such reforms into effect; they also specify the stumbling-blocks encountered, and the experience acquired in the endeavour to overcome them.

In Latin America, total or partial failure to implement plans that have been formulated, and in certain cases already officially approved, has sometimes deflected attention towards the problems deriving from plan implementation. Unquestionably, these problems are many and various, and of vital importance; but they are so closely interrelated that it would be unrealistic and scarcely practical to attempt to single out any one of them for separate analysis and solution.

The title of this Seminar – Administrative Aspects of Plan Implementation – indicates its key topic, but the whole agenda reflects equally clearly the breadth of scope and the unity of planning problems. It is gratifying to note that almost the whole of the field to which the agenda items relate has been covered by contributions from the representatives of individual countries and international bodies, and from the United Nations agencies participating in the Seminar.

Although attention is focused on several specific points, the question on which the participants have laid most emphasis is that of the linkage existing between the planning machinery and the decision-making centres, especially the public authorities. The rationalization of the decision-making process, from the highest level of policy-making downwards, is a sine qua non for economic and social development planning.

The agenda contains a number of other items of major interest which will promote discussion and help to create the right atmosphere for the proceedings of the Seminar to reach the high standard that may legitimately be expected from the professional qualifications and wide experience of the participants. It is a happy circumstance that the success of the Seminar – which I am taking for granted – will coincide with ECLA’s twentieth anniversary.

In offering you my warmest good wishes for the successful outcome of your work, I should like to say how much I hope you will feel completely at home here in ECLA.

Statement by Mr. Chi-Yuen Wu, Director of the United Nations
Public Administration Division

I am very happy to have the opportunity of attending this important Seminar, a Seminar which in many ways marks a new departure. It is the first seminar in the field of public
administration organized by the Economic Commission for Latin America after the establishment of its new Public Administration Unit. It is the first interdisciplinary seminar jointly organized, on the one hand, by our economist colleagues in the Commission and in the Institute, and, on the other hand, by the public administration units in Santiago and at Headquarters. This is also the first time that, in this important region, high-level government officials concerned with planning, programming and administrative reform are meeting with specialists in both the economic and public administration fields to examine such basic questions as the role of public administration in development planning, the administrative machinery for plan formulation and plan implementation, the necessity of including administrative planning as an integral part of development plans, and other important administrative questions relating to plan implementation, including the budgeting process, project administration, co-ordination, control, evaluation and review.

These subjects, which will be considered by this Seminar, form one of the most important parts of the United Nations public administration programme. About one year ago, in January 1967, the Secretary-General convened a Meeting of Experts to review our programme, which was attended by experts from all regions, including representatives from this Commission and two experts from this region. The main theme of the Meeting was to bring public administration into the mainstream of the United Nations development effort or to make public administration a more effective tool to accelerate economic and social development. Under this general objective the United Nations has increased its public administration activities in a number of new directions, as indicated in the report of the Meeting of Experts (E/4296) and in the first article in the January (1968) issue of the Public Administration Newsletter, which are being distributed to all participants. The subjects to be taken up by this Seminar are among those on which new emphasis has been placed.

In a number of United Nations meetings in the last few years, including those held in New York, in Europe, in Africa and in Asia, failures in the implementation of development plans were repeatedly pointed out, and administrative deficiencies were singled out as an important factor responsible for such failures. The Secretariat, therefore, has been requested to do more work on the administrative aspects of planning and plan implementation.

We are approaching this problem from several different angles. First, a number of seminars have been held or are planned, including an inter-regional seminar (Paris, 1964), a working party devoted to the administrative aspects of economic development planning in the ECAFE region (Bangkok, 1966), this seminar in Latin America, and a seminar to be organized by the Economic Commission for Africa, perhaps in 1969. On the basis of the material available to these seminars and additional information to be collected in 1968 and 1969, we plan to prepare a comparative study, covering both administrative planning as part of over-all planning and the administration of plan implementation.

In addition to seminars, the United Nations public administration programme includes a number of research projects on these subjects. One is a study relating to the appraisal of administrative capability to implement development plans. Some preliminary results of this study are given in the paper submitted by Profes sor Bertram M. Gross to this Seminar. Other studies initiated or planned include: (a) administration of programmes and projects; (b) administration of individual development functions; (c) management and administration of public enterprises; (d) administration of regulatory bodies; and (e) control, evaluation and review of operational plans. These studies, it should be pointed out, are also linked with the United Nations technical assistance programme in the field of public administration. Assistance for administrative improvement at national, regional and local levels is assuming much greater proportions. We are also giving more attention to institution-building in the developing countries. The availability of Special Fund financing has enabled us to undertake comparatively long-term projects which would contribute to institution-building and also to significant administrative improvements. Not enough, however, has been done to link administrative improvements directly to planning and implementation.

In connexion with our studies and other activities, we have consulted a number of experts and practitioners and have come to the conclusion that there are many, many unsolved problems which require immediate attention. In view of the widening gap between the levels of living of the developing and the developed countries and the many failures in plan implementation, the task before us is both urgent and difficult. This calls for bold approaches and fresh outlooks to devise new and to improve existing administrative
arrangements and practices. It calls for full co-operation between economists and public administration experts, between planners and administrators, and between theorists and practitioners. It calls for an interdisciplinary approach and a co-ordinated approach at all levels.

We are confident that the discussion by this distinguished gathering, with a wealth of knowledge and experience in different aspects of planning and administration will yield insights into ways and means of improving administrative arrangements for plan implementation. We also hope that this Seminar will make concrete suggestions on what further steps the United Nations units should take on these subjects with respect not only to research and studies, but also to the technical co-operation programmes.

Finally, I should like to take this opportunity to express, on my own behalf and on behalf of my colleagues in the Public Administration Division, our sincere appreciation of the co-operation we have received from the Executive Secretary and from our colleagues in the Commission. As one who was closely associated with the Economic Commission for Asia and the Far East and the Economic Commission for Africa, I firmly believe in the policy of decentralization and in the policy of full co-operation between the regions and Headquarters.

Statement by Mr. Ricardo Cibotti, Director of the Training Programme,
Latin American Institute for Economic and Social Planning

In this Seminar which is opening today, both the agenda and the papers prepared by participants cover one of the most important aspects of planning. The Seminar is of special interest, too, because it is dealing with one of the most serious problems of planning in the Latin American countries: the implementation of development plans. Thus, it goes beyond the purely administrative field, and gives administration a deeper significance: that of placing the concepts, norms and laws which govern the theory of administration at the service of economic development, particularly the implementation of plans for promoting development.

We planners have always believed this to be the right approach. Administration must be studied and changes must be proposed in order to launch administrative reforms calculated to streamline plan formulation and implementation. This idea is reflected in every item of the agenda. We also consider administrative reform to be part of the planning process, and the discussions here will no doubt go deeply into this vital problem.

As all know, the course of planning in Latin America has not been determined only by the essentially technical factors which have shaped it. Successful efforts have been made to adapt planning techniques already tried out in other regions. Original methods and procedures have sometimes been found, and some countries have very few of the skilled personnel needed to handle the wide array of tools which those procedures provide.

It is common knowledge, however, that the planning difficulties encountered in Latin America are closely linked, on the one hand, with the acceptance of planning by the State machinery and government officials themselves and, on the other hand, with the establishment of a functional relationship between planning mechanisms and decision-making centres.

As regards the first point, it is still evident that plan formulation, the establishment of norms and procedures for plan implementation, and plan supervision are not part of the administrative routine; they are felt to be an additional burden on the various public agencies and offices and, more especially, most of the employees and officials of the public administration are not remotely interested in them. It is like a fashion that is accepted but not followed. There are deep-seated and complicated reasons for this. The solution of this kind of problem inevitably involves much more awkward issues than any that are involved in drawing up the organizational chart of an administration, creating a few new offices, or enforcing a few regulations or norms for bureaucratic procedures. To the extent that planning entails the structural changes required for economic and social development, the operation of these procedures, based as they are on existing administrative practices and bureaucratic structures, is bound to run into such problems, unless within the planning process itself - both as a prerequisite and as a result - the administrative machinery is
gradually adapted to the new and systematic ways of forecasting future trends, influencing them, and devising the appropriate course of action.

Secondly, it is an excellent idea that the agenda of this Seminar should begin with the relationship between the general planning machinery and the decision-making centres, or, in other words, that it should raise the problem of the functional relationships and links that ought to exist between the policy-making and the technical levels of the administration.

There is no doubt that extensive study is necessary in order to adjust administrative mechanisms so that these links can be forged, problems can be discussed at a higher level, and decisions can be taken only after thorough and comprehensive study; but I venture to predict that very little will be achieved unless it is also agreed that plans do not restrict the policy-makers' power of decision, but are real instruments for guiding these decisions.

It will also have to be agreed that the general frame of reference within which the technician analyses various alternative solutions to development problems should, in the last analysis, be consistent with the prevailing political ideology or the thinking of those who hold the reins of power. Unless planning operates on those bases, it will be difficult to create the administrative machinery required.

Following this line of thought, it may very well be, of course, that much planning is devoid of any substantive development content, depending naturally on the government's ideas of policy; but this is an unavoidable risk, because, in the field we are considering, no technical process can take the place of a development approach in policy-making. Even the exact opposite can occur, clear-cut development aims may be obstructed by a planning process which gets nowhere for want of the necessary machinery.

To achieve such agreement is not easy. It takes time, and prejudices must be overcome and deep-rooted habits modified. This is perhaps one of the most important aspects of the structural reforms entailed by development.

The Latin American countries have undoubtedly made some progress in this respect, although the results are not spectacular and sometimes take a long time to materialize, because of the nature of the problem.

In many countries, the policy-makers are using a terminology which indicates a technical approach to economic and social problems. Many top government officials now come from groups with a more thorough training in dealing with this type of question than heretofore, and in general it is noticeable that, thanks to their greater technical understanding of conditions in their countries, the pressure groups are more aware of the action that should be taken, and better able to decide which are the most efficient operational instruments, and to plan their action according to technical criteria.

The results of this Seminar will help enormously in this context, not only to elucidate such problems but also to provide suitable criteria by which countries can decide how best to approach and solve them.

Past experience in this field shows that we ought to continue with an interdisciplinary approach such as is exemplified in this Seminar. Moreover, the experience accumulated both at the country level and by international agencies provides us with a valuable fund of material which, if properly organized and intelligently analysed, will help us to chart our course.

We, for our part, feel that many of the Institute's activities, involving advisory services to governments, the training of public officials, research on the real situation in Latin America and planning methods, enable us to give a realistic picture of some of the important problems of plan implementation in Latin America. The Institute will undoubtedly benefit from the exchange of experience at this Seminar; at the same time we feel that our contribution will be of value to the other participants. We hope that there will be both analysis and criticism of our contribution, so that we can improve our programmes.

The Institute, through its Advisory Services Division, has co-operated intensively with the Latin American countries, with the result that many of them have already introduced performance budgeting, which may be considered as the first decisive step towards improving the procedures for plan implementation. It has also been active in the field of annual operational plans and simulation models for short-term policy, providing both the instruments required for its implementation and criteria for defining them.
As to training, the various courses given by the Institute cover the problems of administration and planning not only on a macro-economic plane but also at the level of the economic and social sectors.

Lastly, in many cases our research on the subject has extended to the sociological field because this is an element underlying many of the problems whose symptoms are apparent only in the administrative context.

We are eagerly hoping that this Seminar will help us to continue our course of action by either approving or by rectifying it, and providing helpful guidance for improving it. The calibre of the participants — whom I cordially welcome on behalf of Mr. Raúl Prebisch, the Director-General of the Institute, and of Mr. Cristóbal Lara Beutell, the Deputy Director-General — undoubtedly guarantees that its labours will be crowned with success.

Annex II

LIST OF PARTICIPANTS

1. Countries

**Argentina**

*Observer:* Gabriel Martínez
First Secretary, Economic and Commercial Affairs, Argentine Embassy in Chile

*Observer:* Horacio Boneo
Research Assistant, Public Administration Research Centre, Instituto di Tella

**Bolivia**

*Participant:* Rolando Pereyra
Under-Secretary for Planning, Ministry of Planning and Co-ordination

**Brazil**

*Participant:* Belmiro Siqueira
Director-General, Administrative Department of the Public Service, Office of the President of the Republic

*Observer:* Luiz Carlos de Danin Lobo
Professor of Organization and Methods, Brazilian School of Public Administration, Getulio Vargas Foundation

**Chile**

*Participant:* Edgardo Boeninger Kausel
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*Alternate:* Hugo Zunino
Director, Public Administration Department, Institute of Administration (INSORA), Universidad de Chile

*Observers:* José Daie Lillo
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<th>Country</th>
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<tr>
<td>Colombia</td>
<td>Stella Escobar Zapata</td>
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Annex III

LIST OF DOCUMENTS

Documents prepared for the Seminar

Agenda item 1

Guyana’s Cabinet Sub-Committee on Economic Matters (ST/ECLA/Conf.30/L.2)

Prepared by

Winston M. King
Agenda item I (continued)

The central machinery of planning and its relationship to the centres of decision
(ST/ECLA/Conf.30/L.6)

Administration of sectoral planning
(ST/ECLA/Conf.30/L.8)

General administrative aspects of planning
(ST/ECLA/Conf.30/L.9)

Plan formulation and implementation machinery
(ST/ECLA/Conf.30/L.15)

La planificación económica en Cuba*
(ST/ECLA/Conf.30/L.17)

Monografía sobre aspectos administrativos en la ejecución de los planes de desarrollo en Honduras*
(ST/ECLA/Conf.30/L.21)

Planning techniques and organization in Trinidad and Tobago
(ST/ECLA/Conf.30/L.23)

Aspectos administrativos de la ejecución de los planes en Haití*
(ST/ECLA/Conf.30/L.24)

Agenda item II

Administrative reform in Venezuela
(ST/ECLA/Conf.30/L.3)

Administrative planning for economic and social development in Latin America
(ST/ECLA/Conf.30/L.5)

Priority systems for development administration
(ST/ECLA/Conf.30/L.11)

Some factors involved in appraising administrative performance in development planning
(ST/ECLA/Conf.30/L.14)

Prepared by

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Wilburg Jiménez Castro

Bertram M. Gross

* Spanish only.
**Agenda item II (continued)**

El proceso administrativo de la planeación económica en México*  
(ST/ECLA/Conf.30/L.16)

The process of administrative reform in Ecuador  
(ST/ECLA/Conf.30/L.18)

Administrative aspects of planning in Jamaica  
(ST/ECLA/Conf.30/L.19)

Plan de acción para reforma de la administración pública peruana*  
(ST/ECLA/Conf.30/L.20)

Proyectos administrativos universitarios para el desarrollo nacional*  
(ST/ECLA/Conf.30/L.22)

El proceso de reforma administrativa en Colombia*  
(ST/ECLA/Conf.30/L.25)

**Prepared by**

Ignacio Pichardo

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National Office for Rationalization and Training in Public Administration

Victor Melitón Rodríguez

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**Agenda item III**

Administrative aspects of annual operational plans  
(ST/ECLA/Conf.30/L.7)

Some aspects of administration of projects within the context of development planning  
(ST/ECLA/Conf.30/L.13)

**Advisory Services Division, Latin American Institute for Economic and Social Planning**

Public Administration Division of the United Nations

**Agenda item IV**

Control of operative plans, programmes and projects  
(ST/ECLA/Conf.30/L.4 and Corr.1)

Sistemas de control y evaluación aplicados a la técnica de presupuesto por programas*  
(ST/ECLA/Conf.30/L.12)

Public Administration Division of the United Nations

Delegation of Honduras

* Spanish only.
Information documents

Information document No. 1
Las reformas presupuestarias para la planificación en América Latina*
Latin American Institute for Economic and Social Planning

Information document No. 2
Administration of national development planning

Information document No. 3
Administrative machinery for planning in the ECAFE region

Information document No. 4

Information document No. 5
The administration of economic development planning: principles and fallacies (ST/TAO/M/32), by Bertram M. Gross

* Spanish only.
II

PLAN FORMULATION
AND IMPLEMENTATION MACHINERY
GENERAL ADMINISTRATIVE ASPECTS OF PLANNING

By the Public Administration Unit of the Economic Commission for Latin America*

INTRODUCTION

The undue importance attached at times to the planning difficulties caused by administrative inefficiency seems to have been a source of somewhat distorted conclusions or recommendations. It has been asserted, for example, that in many countries with a long history of self-government behind them, the personnel procedures and practices applied by the authorities make development planning totally impossible and that administrative deficiencies are not peculiar to the less developed countries, but are also observable in those at more advanced stages of growth. In the former, however, they represent a much more pressing problem inasmuch as they obstruct development. 1 Administrative inefficiency is considered to be particularly prejudicial at the stage of plan implementation.

Other observers have attributed failures in plan implementation primarily to the technical defects and unrealistic character of the plans themselves. 2 The lack of realism may consist in disregarding the fact that a number of public agencies are ill-equipped to attain the targets established, or in assuming that the necessary adjustments in the agencies in question can be made in a flash, despite the formidable economic and social obstacles that will have to be overcome. But the importance of the public administration for plan implementation is relative because “in most of the developing countries, most agricultural and industrial production and a major part of investment are undertaken within the private sector; and while the influence which most governments can exert on the private

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1 Albert Waterston, “Administrative obstacles to planning”, Information document No. 5, presented at the Seminar on the Organization and Administration of Development held under the auspices of the Latin American Institute for Economic and Social Planning (ILPES) at Santiago, Chile, in 1965.

sector is not inconsiderable, it is not so great that it can in any way ensure that the necessary decisions will be taken.\(^3\)

The importance of this statement is obvious, since in each individual country the possibilities of implementing development plans will depend upon how true it is. And it would seem, unfortunately, that in practice circumstances have often made it difficult for the public sector to manipulate the tax and financial instruments whereby it might induce the private sector to conform to the policies and meet the targets established in development plans. In some instances, the reason why the private sector has not acted in accordance with the plan is probably not merely that the objectives for the public sector are unrealistic; the technical defects of the plan may understandably be greater in relation to the private sector, on which comprehensive information is harder to obtain, inasmuch as it is far larger, more diversified and more independent. In other cases, however, non-compliance may have been due to problems arising in connexion with the use of tax, financial or strictly monetary instruments, either for want of flexibility in the institutional framework, or as a result of weaknesses in the financial systems concerned or in consequence of the extent to which a particular national economy is a market economy in the true sense of the term, or because of lack of co-ordination between the planning agencies and the monetary authorities. Any or all of these factors may of course operate in different combinations.

From the purely administrative standpoint, co-ordination between the planning agencies and the monetary authorities is of particular importance, since it is largely a matter of organization and procedures. It is true that organization alone cannot, in itself, reconcile opposing attitudes which are deeply rooted in scientific or technical convictions, especially when group interests or codes of values are involved.\(^4\) Fortunately, however, this is no longer necessary. In the past, central banks in Latin America often withheld support from over-all planning, or openly opposed development policies that might produce inflationary effects, as indeed they were sometimes designed to do as a means of effecting transfers of income to the entrepreneurial sector.\(^5\) This opposition or indifference to planning on the part of the central banks probably stemmed from their short-term practices and techniques; concern for monetary stability on the other hand, has become a motive for a rapprochement between the central banks and the planning agencies, since the latter have invariably opted in favour of “development without inflation”.\(^6\)

\(^3\) United Nations Centre for Development Planning, Projections and Policies, “Some general conditions for the effective implementation of plans”, op. cit., p. 3.


\(^6\) These questions are discussed at length in a study by Frank Tamagna, La banca central en América Latina, published by the Centre for Latin American Monetary Studies (CEMLA), Mexico, 1963. See also Roque Carranza, “Development and stabilization policies in Latin America: some problems” (E/AC.54/L.4).
Although in practice the central banks and the central planning agencies are no longer at variance, perhaps the best of the possible organizational alternatives would be one providing for a division of labour, by virtue of which the central planning agency would undertake the formulation and supervision of medium- and long-term plans, and the central bank would prepare the economic, monetary and exchange budgets. Annual plans of operation would be drawn up jointly, in collaboration with the central office responsible for the fiscal budget. Such a division would make for unity. It would help to ensure that a part would really be played in plan formulation by the institutions that would subsequently have to supervise the attainment of urgent objectives set forth in the public sector’s programme of expenditure or would be mainly responsible for inducing the private sector to follow the guidelines laid down. It would also serve as a means of assigning tasks of differing content and nature to the agencies possessing special qualifications and experience in the appropriate fields.

Perhaps the co-ordination of the various functions allocated to such agencies would be facilitated in practice if the medium-term plan, besides coinciding with the government’s term in office, established objectives for the last year of the period, rather than annual sectoral targets to be reached en route. The final targets or objectives would be broken down to the lowest level of aggregation consistent with political significance, for the purpose of obtaining the appropriate parliamentary sanction. They should be submitted to the Legislature together with, for purposes of comparison, a statement of what would probably be achieved by the end of the period, if the economy was left to the interplay of market forces and no attempt was made to adopt the development strategy and policies set forth in the bases of the medium-term plan presented by the Executive.

Given a medium-term plan with this type of structure, the task of determining annual operational targets would be the concern of the central bank, essentially on account of its monetary repercussions and the responsibilities the bank would have to shoulder in respect of the co-ordination of financial agencies; it would concern the central planning office, in particular because it would involve ensuring that sectoral targets were compatible, in terms of quality, quantity and timing, with the final objectives, strategy and policies established in the plan; it would concern the agency responsible for the fiscal budget and the sectoral government services because it would virtually determine their work programmes for the following fiscal year; and it would concern the private sector for a similar reason, and because of the repercussions of credit restrictions and of public income and expenditure on the level and structure of production.

Interests as strong as these would undoubtedly constitute powerful motives for the co-ordination of the various fields of experience and specialization, which would be effected continuously throughout the year, in conformity with

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8 This does not, of course, preclude the possibility of determining which parts of the major public investment projects or programmes should be put into effect during each fiscal year in a given period.
a time schedule for the preparation of the relevant instruments: an exploratory economic budget, an economic budget forecast, a fiscal budget, and an annual operational plan. It is in the formulation of the annual plan that the co-operation of the private sector — largely based on contacts maintained throughout the year between the various government agencies and the corresponding subdivisions of the private sector — would be most valuable; but during the last stage, when the final administrative decisions that will shape the annual operational plan are to be taken, an ad hoc advisory committee should be set up, composed of representatives of the central planning agencies, the central bank and the investment banks or financing centres, the central fiscal budget office, and the subdivisions of the private sector concerned with the main branches of agriculture, basic and intermediate industrial production, and transport.

It has been said elsewhere that administration for development is the sum of the action that the government should take in pursuit of the national development plan objectives. Such a definition, besides presupposing that the plan is technically sound and therefore that its implementation and supervision are practical possibilities, has the further merit of reducing "administration for development" to its proper proportions.

The formulation of a technically satisfactory plan raises preliminary administrative problems which were not solved at the right time in many Latin American countries and have consequently been among the causes of failure to implement development plans. A basic requisite would have been to improve information services and statistical systems and train enough personnel for the central and sectoral planning agencies. As an indicator of the technical backwardness of the Latin American countries in this respect, suffice it to say that only two or three of them have begun to use economic budgets, and that difficulties are encountered in the shape of gaps, deficiencies and time-lags in the supply of statistical data, and lack of the highly-qualified personnel required. To remedy these short-comings should be the first objective of administration of development.

The next essential step should have been to adapt the public administration for the task of plan implementation. It is here that a fallacy has been very commonly entertained. This adaptation is believed to involve an over-all administrative reform designed to rationalize structures and procedures, with a view to expediting and improving the decision-making process, defining responsibilities and reducing operational costs, to improve the quality of administrative personnel by means of a post classification, the introduction of the merit system and of other techniques; and to perfect and simplify auditing standards and practices. The favourable effects of these and other similar measures would make themselves felt in a relatively short time, appreciably sooner than the impact of planning.

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9 See, for example, Alfonso Perea Posada, Chief, Statistical Section, Economic and Social Development Division, Inter-American Development Bank (IDB), "La organización de sistemas estadísticos nacionales para satisfacer las necesidades de desarrollo económico y social en la América Latina" (ICAP/EXT/024/1300/67).
This is a Utopian dream. In several Latin American countries the bases of the merit system have been in the Constitution for many years, yet appointments and promotions are still determined almost entirely by political considerations. Agencies set up decades ago to promote the rationalization of the administrative system have incurred the animosity of politicians and pressure groups, have lost prestige and have sometimes become virtually inoperative. Public posts have been created far in excess of real manning-table requirements, as a form of social welfare service, necessitated by the incapacity of the economic system to employ a substantial proportion of the new population contingents annually joining the labour force. These and other circumstances inevitably lead to administrative inefficiency, which is not only an effect of economic under-development, but also one of its most operative causes. The increase in the public sector's personnel expenditure, which is proportionally higher than the growth rate of the gross domestic product,\(^1\) has augmented the tax burden, which in its turn pushes up the costs of enterprises and reduces family income, through price mechanisms or direct taxation. The domestic market thus becomes smaller, and exports may be adversely affected. Furthermore, the rise in administrative costs, almost invariably stemming originally from heavier expenditure on staffing, has in many countries been among the causes of budget deficits, which are often financed by inflationary means. What is more, even if the budget was balanced, the parasitic nature of many public-sector posts implies that purchasing power is given to a sizable social group which contributes nothing to the market in the way of goods or services but, on the contrary, in order to keep up a semblance of employment, complicates procedures, increases red tape and makes the administrative machinery cumbersome. This is one of the structural causes of inflation or of economic stagnation in cases where an attempt is made to eliminate the fiscal budget deficit by reducing the capital outlays of the public sector.

The strategy and tactics for administrative rationalization that ought to be dictated by such a state of affairs would probably require that certain agencies immediately responsible for the attainment of plan objectives should be separated from the general system, so that they could be given priority treatment, almost inevitably under a régime of provisional administrative and financial autonomy. Alternatively, new agencies might be set up, whose personnel would preferably be recruited from among officials already in the services so as to obviate additional costs.

As the national economy developed and the new production structures became incompatible with the older institutions and practices of the traditional public agencies, broader and more general administrative reforms would gradually become politically feasible. In all probability, they would be called for by industrialists and their spokesmen in Parliament or in the Press, as has already happened in developed economies and in some of the Latin American countries.

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\(^1\) See Gonzalo Martner, *Planificación y presupuesto por programas* (México, Siglo XXI, 1967), chapter I.
where special circumstances have made for a high growth rate, even without any planning.\footnote{11}

Such an approach would facilitate the implementation of short-term plans. To give sweeping and politically impracticable administrative reforms precedence over the necessary adjustments in agencies directly responsible for short-term plan implementation (which constitute only a tiny fraction of the whole system) would doom to failure both plan implementation and administrative reform.

A. THE LINKS BETWEEN PLANNING AND POLICY-MAKING

On several occasions, official United Nations documents have drawn attention to the basic importance of policy decisions in the field of economic and social planning, and have pointed out that the existing legal institutions in the Latin American countries are inadequate to ensure that such decisions are of the highest possible quality and are taken at the right moment at each stage of the planning process.\footnote{12}

It is true that ordinary law can institutionalize planning and can even determine the timing and to some extent the nature of the relevant government decisions; but it is equally true that the basic functions and relations of the Executive and the Legislature are regulated by the national Constitution and that, in normal circumstances nothing can be of greater political importance than fundamental decisions bearing on the economic and social life of the nation. Consequently, the over-all development plan and the fiscal budget, being the principal documents in which such decisions are embodied, must inevitably be the subject of constitutional provisions. Moreover, some of the financial and budget regulations established in Constitutions which pre-date planning are incompatible with the planning process or at least unfavourable to it.

1. The experience of the socialist countries

It was in the socialist countries that planning was first placed on a constitutional footing. Some of the principles expressed or implicitly adopted seem to have reappeared in the revisions of their Constitutions effected by other countries which, although their economy is pre-eminently based on free enterprise, have decided in favour of economic planning. Accordingly, these principles are of special interest.

\footnote{11} See Freddy Arreaza Leañez, "Administrative reform in Venezuela" (ST/ECLA/Conf.30/L.3); and, for example, the reference made by Jesse Burkhead in \textit{Governmental Budgeting} (New York, Wiley, 1956) to the United States' prolonged campaign on behalf of more efficient budgeting methods, which was successful only when the private sector began to demand "more business in government".

In the centrally-planned economies the national assemblies (Legislature) nominate the Council of Ministers (Government, Executive). The plan is drawn up by the Executive and approved by the Legislature, and so are the annual fiscal budgets. In some cases the president of the central planning agency is a member of the Executive. Over-all planning objectives are laid down in the national Constitutions, which usually contain provisions designed to ensure that the plans are as far as possible the product of a national effort in which most of the citizens share.\textsuperscript{13}

In the socialist countries the State budget is an instrument for the implementation of short-term economic plans, particularly from the financial standpoint. "The purpose of financial planning is to determine the funds required in order to implement the economic plan, to distribute them among the various economic sectors and different types of socio-cultural construction in accordance with the plan targets, and to bring about savings in materials and money.

"The main component of the entire financial system is the State budget . . . The State budget is the main State financial plan and serves to combine the various financial plans into a unified system of financial planning."\textsuperscript{14}

Despite these characteristics, which make the State budget a kind of matrix of sources and uses of funds, linked to short-term plan implementation — or precisely because of them — its rejection by Parliament and the consequent carrying-over of the budget for the previous fiscal year, are unthinkable. Such a procedure would be contrary to the very idea of planning. No reference is made to so unlikely an event in the Constitutions of the socialist countries, except in that of Poland, article 8 of which provides that if the Diet does not pass the bills relating to the national economic plan and to the budget, the President of the Republic, acting through the Council of Ministers, shall make them law.\textsuperscript{15}

Notwithstanding the importance of the resources generated by what are known as productive services (public industrial enterprises, etc.) for the financing of public sector consumption and investment, tax revenue still plays a significant role. In this context, it is worth noting that tax autonomy is non-existent in the States members of the socialist federations and, as a rule, among their local authorities.\textsuperscript{16} Obviously, the central government’s control over the economy is greatly reinforced by this restriction of the power to tax of the decentralized territorial units. It implies the strengthening of the machinery for the adoption of decisions directly linked to planning, which is definitely classified as a constitutional matter.

\footnotesize
\textsuperscript{13} Constitutions of: Albania (articles 6, 59, 60); Bulgaria (articles 12, 17, 39, 43); Hungary (articles 5, 10, 25); Poland (articles 4, 7, 8, 16, 28); Czechoslovakia (articles 12, 162-164); USSR (articles 11, 60, 68, 70, 83); and Yugoslavia (articles 15, 44, 81). References taken from: B. Mirkine-Guetzévitch, \textit{Les constitutions européennes} (Paris, Les Presses universitaires de France, 1951); and \textit{Planning for Economic Development}, report of the Secretary-General transmitting the study of a Group of Experts (United Nations publication, Sales No.: 64.II.B.3), annex II, p. 153.
\textsuperscript{14} \textit{Ibid.}, p. 134.
\textsuperscript{15} \textit{Les constitutions européennes}, op. cit.
\textsuperscript{16} Constitutions of: the USSR (article 14, /k/) and Yugoslavia (article 44, 21).
Hence it is clear that in the socialist countries those basic planning decisions which are primarily political in character are the prerogative of the supreme political authorities: the National Assembly and the Government.

2. *The experience of developed countries with a free-enterprise system*

In countries where the free-enterprise system prevails, parliamentary approval of plans has been sporadic, and it is thought that a number of problems arise. It is contended, for example, that the flexibility of the plan is incompatible with the inflexibility of the law, and that approval of general principles, rather than of a specific text, would leave the Executive free to modify the objectives established. It would seem, however, that the decision contained in article 2 of the law sanctioning France’s Fourth Plan constitutes an important step forward in the search for the best solution. Under the terms of this article, the Government will submit to Parliament, before sending its directives to the General Planning Commissioner’s Office, a bill approving a report on the principal options governing the formulation of the Plan, in particular those concerning: economic growth; the distribution of the gross domestic product between investment and consumption; the structure of final consumption that is to be desired; and the general lines of social and regional policy.

Stipulations such as these, which link the formulation of the plan to predetermined political directives, will clearly make it much easier for central and peripheral planners to co-ordinate macro-economic aggregates and annual sectoral programmes with a view to attaining the objectives established. The administrative importance of this legal provision could hardly be over-estimated. However, whether in practice it does or does not succeed in producing all the effects envisaged will essentially depend upon the stability of the government, i.e., upon the materialization of the French ideal: “One Government, one Legislature, one Plan”.

Even the oldest European constitutions seldom allow for the possibility of the Legislature’s withholding approval of the fiscal budget. There is an obvious explanation for this. In the past, the precise purpose and basis of the annual meeting of Parliament was, first, to authorize taxation and, secondly, to sanction public expenditure. There was only theoretical discussion of the possible legal and administrative implications of non-approval of the budget. Denmark and Finland, however, in their pre-1939 Constitutions, do establish regulations to be applied in this unlikely event, empowering the government to submit provisional appropriation bills to effect essential expenditure, etc. The reformed Constitutions of the Federal Republic of Germany and of France, which include

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provision for economic planning, solve the problem in different ways. The Government of the Federal Republic of Germany is authorized to maintain services previously established, to pay State commitments and to continue the execution of public works, drawing upon resources allocated in the previous fiscal year and on reserves of capital. The solution adopted by France (similar to Poland's) is more compatible with planning: if the government finance bill is not passed by Parliament within a period of seventy days, it can be brought into force by Executive Order.

A noteworthy feature is the brevity of the period allowed for parliamentary action on the finance bill in France. The Government is thus enabled to present the draft fiscal budget at a date nearer to the beginning of the next fiscal year, and can more easily adjust it to actual conditions.

Obviously, this necessary reduction of the time-limit should not imply a parallel weakening of Parliament's basic function: the determination of government policy. The technical machinery whereby this undesirable effect can be forestalled is defined in the theory, and partly established in the legislation and practice of a number of countries. The following procedures may be mentioned: making a distinction between the budget law and the operational budget, the former being of more over-all character and constructed on the basis of programmes; the latter presenting details of the combination of measures proposed by the government for the implementation of the programmes in question; justifying the projects presented in both documents, in relation to medium-term plan objectives, special combinations of circumstances, etc., in the form of a presidential message, having a study of the budget made by joint committees representative of the upper and lower Chambers; and, lastly, the passing of the bill by Parliament.

It would be unreasonable to cut short the period assigned for budget procedures in Parliament only to allow the administrative agencies an unnecessarily long time to prepare and co-ordinate their partial budgets. Given the reduction of the time-limit for parliamentary proceedings, the recommendations on socio-economic and financial policy transmitted annually by the central institutions to the peripheral planning and budget agencies as a guide to the formulation of their budgets could be issued later in the year. As, by that time, data would be available not only on the results of the previous year but also on the most indicative facts and prospective results relating to the current year, recommendations could then undoubtedly be couched in much more precise terms, thus facilitating the whole of the subsequent work of adjustment and co-ordination. In many countries, however, including some of those with the most highly developed economies, too much time is spent on the preparation of budget estimates by the administration. Where this is the case, the equally desirable tightening-up of deadlines will depend, first, upon the establishment of a network of programming and budget agencies commensurate with the number and size of the sectoral units involved; and, secondly, upon how far the structure and functions of these agencies are so designed that, the higher the decision-making level, the smaller will be its responsibility for administrative matters and the greater its responsibility for policy-making. It is here that great difficulty will be encountered in breaking time-honoured habits, which still lead some political assemblies to interfere even in administrative minutiae, just as in the nineteenth
century, when the budget law had to include an itemized classification of expenditure by purpose, in order to promote a control of budget execution which would not allow the Executive to overstep the bounds of quiet regularity.

B. PLANNING AND THE LATIN AMERICAN CONSTITUTIONS

To study the administrative problems of planning from the standpoint of the constitutional bases for planning may seem a somewhat futile approach, in view of the inherent stability of the governing principles thus laid down. Nevertheless, it can be justified on several grounds. In the first place, the public administration acts within a framework of specific legal regulations, and, as has often been said, the titles of the chapters of administrative law are to be found in the Constitution. This increases the risk that the possibilities of adapting secondary regulations to planning needs may be restricted undesirably by constitutional provisions, either because they date from pre-planning times, or because of an obvious intention to restrict planning, at any rate at the over-all level.

Secondly, a number of constitutional provisions of importance for planning are more often conspicuous by their absence than by their adverse implications, especially where relations between the branches of government are concerned. In this case too it is worth while to discuss the prospects for the solution of administrative problems apparently opened up by such omissions. The non-existence of an explicit regulation does not in itself preclude the existence of implicit restrictions in the text of the Constitution.

1. Incorporation of planning in national Constitutions

Even before the Punta del Este Conference, some of the Latin American countries had incorporated the idea of planning in their Constitutions. For example, the Colombian Constitution of 1886, with its several revisions (the last reform was introduced in 1957), empowers Congress to determine the plans and programmes which should govern the development of the national economy, and the plans and programmes for all public works to be undertaken or continued. Plan formulation and implementation are not expressly stated to be constitutional functions of the Executive, whose responsibilities are confined to fulfilling the classic obligation to put before Congress, once a year, the income and expenditure budget for the coming fiscal year.

Haiti and Honduras, whose most recent Constitutions were adopted in 1957 also, lay down more detailed planning regulations than Colombia, and even provide an institutional framework for the principal bodies responsible for plan formulation. The same course is pursued in the Constitution of Uruguay following its amendment in 1965.

Brazil's 1967 Constitution authorizes the Federal Union to establish the national road communications plan, and to draw up and implement national education and health plans, regional development plans (article 8, X, XII, XIII and XIV) and land reform plans (article 46, III), although no specific reference is made to over-all medium- or long-term plans. However, the powers of the
Federal authorities, especially the Executive are greatly strengthened in all fields relating to instruments for the control of short-term economic policy. These points will be discussed elsewhere in the present document.

The varying degrees of efficiency with which over-all development plans have been implemented in Latin America would seem to suggest that it makes little difference whether planning is incorporated in the Constitution or not. The inference apparently is that legal regulations cannot easily withstand the pressure of circumstances; but this is only partly true, for ill-success has often been due to the inconsistency or inadequacy of the basic provisions in this field. This question too will be discussed in the following sections.

2. The presidential system and its possibilities as regards the requisite political support for plan formulation and implementation

With the exception of the former British colonies, all the developing countries of the Americas have adopted the presidential system of government. This may make it easier for Latin America to put into practice the formula already quoted — one Government, one Legislature, one Plan — on which the political support essential for plan formulation and implementation depends; and, conversely, it may make for the frustration of planning efforts, if each government aspires to bequeath a medium-term plan to its successor. The problem, therefore, is to establish machinery which will maximize the favourable and minimize the unfavourable possibilities of the system.

In the first place, it must be borne in mind that an over-all medium-term plan takes several years to formulate, and that, to judge from the experience of the countries which have drawn up and implemented the largest number of plans, it would be difficult, at the present level of information and technology, to prepare plans of the type considered ideal: i.e. "rolling" or continuous plans, whereby another final year is annually added to the over-all medium-term plan, as each year of the plan is completed. ¹⁹ (The validity of these statements is, of course, relative, depending as it does on the essential nature and the complexity of the economy involved.) On the other hand, it is true that once the over-all plan has been formulated, modifications can be introduced, in line with whatever economically feasible policy options are formulated.

As a general rule, all or part of each new government's first year in office is covered by a fiscal budget adopted under the preceding government. The degree of flexibility of this instrument will determine, up to a point, how far the new government can begin to take action in accordance with its own political directives, which in principle will also be those of the party or coalition that won the last election. Accordingly, part of each government's first year in office should be devoted to the following tasks: a study of the over-all medium-term plan drafted by the central planning agency under the previous government; the establishment of guidelines for the planning agency's revision of this draft in

conformity with the policy options agreed upon; and the submission of the revised plan by the Executive to the Legislature for its approval, which should precede or coincide with the adoption of the government budget for the next fiscal year.

For this mechanism to work well, consistency between the policies of the Executive and the parliamentary majority would have to be ensured, at least during the first year of each presidential term of office. Unfortunately, hardly any of the Latin American Constitutions seek to promote this. A first essential would be for the terms of office of the Executive and of the members of the Legislature to coincide at all levels (Federation, states, provinces and municipios). This would pave the way for a full consultation of public opinion at regular intervals, with a view to complete policy overhaul. Although some regional differences of opinion might arise, on the whole the probable and desirable outcome would be that the victorious political forces would present a united front, particularly at the national level.

Only the Constitutions of Brazil (articles 76 and 77) and Venezuela (articles 40 and 42) expressly lay down the foregoing principle. Under those of Haiti, Mexico, Nicaragua, Panama, Paraguay and Peru, the terms of office of the President of the Republic and the members of the Legislature are of the same duration, but there is no stipulation that they must coincide. The other national Constitutions establish different periods of office for the Executive and the Legislature.

Another principle of importance from the standpoint of the political strength of the Executive is that the President of the Republic must be elected by an absolute majority. Only the Constitutions of Argentina, Bolivia, Brazil and Costa Rica contain such a provision.

Although consistency between the policies of the Executive and the parliamentary majority should perhaps be based on the coincidence of their terms of office and on the election of the President by an absolute majority, electoral legislation can undoubtedly do much to sustain it. This would be a case in which planning could be supported by secondary regulations, either designed to fill lacunae in the Constitution, or complementary to its provisions.

3. Planning and the possibility of carrying over the fiscal budget

If the fiscal budget is thought of as an instrument for the short-term implementation not only of that part of the medium-term plans which directly concerns the public sector, but also of a great many of the measures designed to influence the behaviour of the private sector, the power to carry it over is of course essentially inimical to planning.

Express provision is made for the budget to be carried over if the budget law is not passed in time in the Constitutions of Bolivia, Colombia, Guatemala, Haiti, Honduras, Nicaragua and Uruguay. The potential dangers of successive carryovers are lessened in the Bolivian Constitution by the terms of article 114, which establishes that should the budget not be adopted by the Legislature in two consecutive years, the most recent draft submitted by the Executive and not approved shall come into force for the next fiscal year.
The Constitution of Uruguay affords three opportunities for the tacit rejection of the budget, inasmuch as it establishes (in articles 217 and 218) time-limits of forty-five days in the case of each Chamber and fifteen days in that of the General Assembly for the issue of a pronouncement on the draft or on amendments thereto, and adds that if no opinion is expressed by these institutions within the time-limits set, the draft shall be taken as rejected. As pointed out elsewhere in the present document, Uruguay has incorporated planning, together with programme and performance budgeting for the public sector, in its Constitution.

The Constitutions of Brazil, Chile, Ecuador, Paraguay, Peru and Venezuela expressly state that the draft submitted by the Executive shall become law if it is not approved by the Legislature within the time-limits stipulated. Thus, they adopt the same solution as France and Poland.

No reference to the hypothetical possibility of the budget's not being approved at the appropriate time is made in the Constitutions of Argentina, Costa Rica, the Dominican Republic, Mexico and Panama.

None of the countries in these last two groups has incorporated over-all planning in its Constitution.

Wherever it is legally possible for the fiscal budget to be carried over, the only way to safeguard planning will be to forestall the actual application of such a measure. The machinery for precluding this possibility may be classified as pre-eminently political or technical.

Obviously, the importance of the distinction between the appropriation act and the operational budget, from the standpoint of facilitating the work of Parliament, increases proportionately to the volume and complexity of the government services. It will be negligible in small countries where the administrative structure is simple, and vital where it is complicated; but in both cases, if the appropriation bill is drafted on the basis of programme and performance budgeting techniques, and the allocations are made at appropriate levels of aggregation, the voting process will not only be expedited, but will really come to signify policy-making, which is the specific function of the Legislature. It is here that the existence of a medium-term plan previously approved by the Legislature may facilitate decisions and help to ensure that the bill will be passed within the time-limits established in the Constitution. Of course, an essential condition will be that the appropriation bill reflects the policy options agreed upon by the branches of government and incorporated in the plan, and that possible deviations, whether tactical or strategic, are duly justified in the message from the Executive. In fact, it would be desirable for such deviations to be jointly decided upon beforehand by the Executive and the Legislature.

If the co-ordination between the branches of government is to be close enough to ensure concerted action right from the initial stages of policy formulation, the organization and procedures required will be of a kind that depend less on being spelt out than on acceptance of the necessity for them at the operational level. One of the most useful means to such an end is to see that the president of the central planning agency is a member of the government, where this is a corporate body with no permanent president. The prospects for
this solution, which is commonly adopted in the socialist countries, would be poor in most of the countries of Latin America, which have generally opted in favour of the presidential régime. Under governments of this type, statutory provision would have to be made for the leaders of the majority and of the opposition, or their representatives, to serve on the inter-ministerial councils or commissions normally authorized to undertake the final co-ordination of medium-term plans and fiscal budgets. They should also participate in the adoption of annual operational plans and economic budgets. The central planning agency should also take care to keep the members of the Legislature individually informed of the significance and technical bases of the policy proposals formulated. This task, which would obviously be performed almost entirely through the transmittal of documents, would not be a mere public relations function, but largely a matter of training political representatives to think in terms of economics and to understand national development problems.

Another important means of facilitating the punctual adoption of plans and programmes is to ensure that some part is played in their formulation by the social groups most directly concerned and capable of making useful contributions. This point has been fully discussed in the technical literature on the subject.

4. Constitutional bases of taxation

The well-known possibilities of taxation as an instrument of economic policy give unique importance to the possibility of centralizing the control of the tax system, and as far as possible avoiding decentralization of the power to levy taxes and determine their percentage rates. This is traditionally considered a matter to be dealt with in the Constitution mainly because of its implications as regards the autonomy of decentralized territorial units.

As a general rule, the relevant provisions in the Constitutions of the Latin American countries would be no hindrance to the adoption of better solutions through ordinary law; but in some instances the position is less favourable. Cases even exist in which regulations intended to protect the individual taxpayer against surprise measures actually cause a lack of flexibility that it would be difficult to remedy.

There is a possibility of achieving maximum centralization, allied to maximum flexibility in respect of decision-making in this field, if and when all the following conditions are fulfilled:

(a) Taxes can be established, and their distribution among territorial units determined, only by the law of the country concerned;

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20 For a discussion of the organization of planning systems, see Economic Survey of Latin America, 1964, op. cit., pp. 328-381; Carlos Matus, "Planning systems and their enforcement in Latin America" (ST/ECLA/Conf.20/L.13); and "Some general conditions for the effective implementation of plans", op. cit.


22 In this connexion it is enlightening to refer to Hollis Chenery's classification of instruments of economic policy, reproduced in the OAS paper, "El control de ejecución de planes generales de desarrollo en América Latina", op. cit.
(b) The Constitution does not fix time-limits for the application of taxes instituted by decree or of changes in existing taxation;

(c) The Executive is empowered to alter specific tax rates during the fiscal year, within the limits and in the circumstances laid down by law.

All these conditions in conjunction are not to be found in any Latin American country but, as is to be expected, the smaller the country, the higher the degree of centralization. For example, in the Central American countries, the Constitution invariably leaves the distribution of revenue among the central government and such local authorities as exist to be settled by the law of the country; and where taxes are instituted locally, they are usually centrally controlled, either by the Legislature (as in Costa Rica) or by the Executive (as in Guatemala and Nicaragua). In El Salvador, the proposed tax schedules of the municipios have to be submitted for legal sanction at the national level. Elsewhere, the provisions of the Constitution warrant the conclusion that local tax powers are even more limited.

(a) The situation in the unitary States of South America

A wide variety of procedures is to be found in the unitary States. In Bolivia, national law determines which taxes are to be applied at the level of the country as a whole, of departments and of municipios, and the municipios can neither establish nor abolish taxes without the prior approval of the Senate. Thus the degree of centralization is decidedly high.

In Colombia, national revenue and the power to tax accorded to the departments and municipios are established by Congress. The Constitution sets time-limits of six months for the application of new or increased indirect taxes, and of three months for the initiation of the process of reducing import duties, which is spread over ten months. Any increase in import duties will be applied in three instalments, in the three months following the passing of the Act. Taxes and assessments cannot legally be collected unless they are incorporated in the budget; and, lastly, it is a precept of the Constitution that the annual budget must balance.

Unquestionably, these provisions would hamper the use of taxation and the budget as instruments for obtaining short-term financing, and, in part, for promoting the reallocation of funds for economic development purposes.

In Chile, the power to levy taxes comes under ordinary law. The relevant constitutional provisions create no particular difficulty.

It would seem that under the Constitution of Ecuador no power to legislate on taxation and assessments is delegated to local or provincial units. This power is apparently centralized in Congress, and there is no requirement which runs counter to the objectives under discussion.

In the Constitution of Paraguay, the only clause relating to taxes is article 76 (3), which empowers the Chamber of Deputies to legislate on taxes and assessments in general.

The Constitution of Peru specifically allocates the power to levy many taxes to the departments, and authorizes the State to add others to the list. The taxes concerned are not among the most important as instruments of economic policy,
except for the progressive income tax, which is one of the sources of revenue of the departments. On the other hand, this allocation of resources does not apparently imply that the departments are endowed with the corresponding power to legislate. Given these features of the Peruvian Constitution, and the fact that it does not establish time-limits for the application of new taxes or tax changes, it would apparently be no bar to the use of taxation for the purposes of economic policy.

(b) The situation in the federal States

Argentina, Brazil, Mexico and Venezuela have adopted differing procedures as regards the distribution of resources among the three levels of government and the determination of each one’s power to tax.

Under the Constitution of Argentina, import and export duties and all other assessments levied by the National Congress are allocated to the Federal Government. Import and export duties are the only indirect taxes over which the Federation has entire control; direct taxes are considered exceptional, and also fall within the competence of the Federal Government (article 67). In other tax fields, similar powers are granted to the provinces, which exercise all those not expressly assigned to the Federation (article 104).

It might be thought that so large a measure of tax autonomy would make co-ordination between the Federation and the provinces difficult, especially if it is to be as close as over-all planning would probably require; but the length of time that these principles have prevailed (the Argentine Constitution dates back to 1860 and was amended in 1866, 1898 and 1957) suggests that in practice a high degree of co-ordination has been achieved, through ordinary law, agreements and less formal procedures.

In Brazil, by long-standing tradition, the distribution of tax revenue and of the corresponding powers to legislate among the Federal Union, the states and the municipios is strictly governed by the Constitution. The provisions of the latest Constitution (1967) have been tightened up still further, obviously with the aim of establishing the conditions for the centralized control of economic policy. Thus, it assigns to the Federal Union import and export duties and taxes on all the following items: rural real estate; income; credit, exchange and insurance transactions and those relating to securities (including bearer bonds); transport and communications services (except where they pertain strictly to the municipios); electric power; and mineral products of domestic origin. In other words, the taxes of greatest importance for the short-term control of the economy and for the reallocation of resources for development are assigned to the Federal Union. The sole exception would seem to be the purchase tax, which, despite its influence on price formation, still falls within the competence of the states (which absorb 80 per cent) and the municipios. However, the rate is uniform, i.e., it is unaffected by the nature of the goods taxed, and cannot exceed the limits set by the Senate; moreover, the tax is not of the cascade type, but is levied on the value added by each separate operation in the marketing process. These characteristics are intended to limit the use of the purchase tax as a weapon of economic policy; in other words, any attempt to ensure the progressiveness of indirect taxation seems to be made through the tax on
manufactures (which is likewise levied on the value added) and through import
duties, which are heaviest in the case of products consumed by the higher
income groups. Where import duties are concerned, this principle is not very
strictly observed, since the aim of the tax is primarily to protect domestic
production, and only secondarily to provide revenue.

The intention to construct the tax system in such a way as to facilitate its
use as an instrument of economy policy can be inferred not only from the
foregoing decisions, but also from others whereby: (a) the product of export
duties and taxes on credit, exchange and insurance operations or on those
relating to securities (including bearer bonds) can be allocated under ordinary
law to the formation of monetary reserves (article 23, 3); (b) the Executive is
empowered to alter, in the circumstances and within the limits established by
law, the rates or bases for calculation of the taxes referred to and of export
duties, in order to bring them into line with the objectives of the monetary
policy.

The disparities in regional income levels in Brazil, and all their implications,
are well known. With the aim of reducing them to a minimum over the long
term, the national legislation has for some years past included tax policy
measures which have been very successful and which make for a redistribution of
investment, especially investment in industry, to the benefit of the relatively less
developed areas. Moreover, as a general rule the states have established their own
tax instruments, with a view to promoting public and private investment.

The latest Constitution endorses the foregoing policy, and contains several
provisions that should help to reduce the inter-regional disparities by guaran-
teeing the states and municipios a supply of funds that is not dependent on
regional income, and by promoting co-ordination between the Federal, state and
local authorities. Thus the states and municipios are assured of a share in the
most productive Federal taxes, and that share may be increased if they sign
agreements with the Union to ensure co-ordination of the respective investment
and tax administration programmes. In addition, they have to use 50 per cent
of their quota for financing capital outlays.

Under the Constitution of Mexico, it is the Federation that is authorized to
levy taxes on foreign trade, mineral products (including coal and petroleum) and
other natural resources, the operations of credit and insurance institutions,
electric power, tobacco, matches, certain alcoholic beverages and forest
industries.

The states receive a proportion of the yield of these taxes which is fixed by
ordinary Federal law; and the state Legislatures determine the share of the
municipios. Apparently the Constitution, which makes no mention of income
tax, empowers the states to establish other taxes, but forbids them to institute
customs duties or taxes affecting passengers or goods in transit.

The use of taxes as instruments of economic policy is expressly provided for
in article 131, paragraph 2, besides being implicit as an objective in the
distribution of revenue among the different levels of government and in the
confering of powers on the Executive to change the percentage rates of export
and import duties.

The Constitution of Venezuela (article 21, 4) lists the taxes that can be
levied by the municipios, which are those generally considered to be local in
character. Neither the states nor the Federation can exercise any control over the municipios in respect of taxation. Thus conceived, the autonomy of the municipios might in some circumstances become a stumbling-block to co-ordination between the local, state and Federal authorities where industrial development, housing programmes or net wealth taxes are concerned, given the extent of the municipios' powers in respect of business or industrial licences and taxation on urban real estate.

The states cannot establish import, export or transit duties on domestic or foreign goods, or on other items taxable by the national Government or the municipios; nor can they tax consumer goods prior to their entry into circulation in the state territory, or ban the consumption of goods produced outside the state, or tax the latter differently from goods produced within the area of their jurisdiction.

The attributions of the national Government include the power to establish, collect, inspect and control rates and taxes and other revenue not assigned to the states or municipios.

Taken in conjunction, the provisions relating to the spheres of tax competence of the Federation and the states lead to the conclusion that it is for ordinary law to define how the sources of revenue are to be distributed between the two levels of government, since the Constitution does not seem to countenance duality of competence in any area of taxation.

In principle, the breadth of scope left by the Constitution to secondary legislation should facilitate co-ordination.

Article 124 provides that no tax or assessment can be increased or reduced until after the expiry of a term to be fixed in each case, except when special powers have been granted to the Executive. Should the term in question not be defined in the Constitution, its establishment by ordinary law would not appreciably undermine the efficacy of possible economic policy measures. How far this is true will obviously depend upon court decisions as to the length of the periods concerned.

(c) Administrative questions

From the strictly administrative standpoint, the use of taxes as instruments of economic policy within the framework of planning would call for a close linkage between the tax administration agencies and the central and — where they exist — the sectoral planning units. These questions were discussed at a seminar on operational plans held by the Latin American Institute for Economic and Social Planning at Santiago, Chile, in 1966. The following extremes of opinion were expressed: (a) that the planning agencies should draft taxation bills and any others required to provide the instruments for plan implementation; (b) that this responsibility should be carried by the appropriate agencies of the public administration. Perhaps the best solution would be for the planning agency (central or sectoral) to specify the changes (short-term or structural) that should be introduced into the tax system, and to prepare the requisite draft legislation in collaboration with the fiscal departments. This would have the

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merit of associating the units that would subsequently be the executing agencies with the formulation of the measures, and would obviate the need for the planning agencies to overload their manning-tables with technical experts in all the innumerable fields of public-service activity, as would otherwise be inevitable, since the provision of instruments for plan implementation does not entail tax measures alone.

Furthermore, in view of the special importance of taxation in relation to economic planning, it should be established by law that no bill to create or modify taxes should be submitted by the Executive or, if proposed by members of the Legislature, discussed in either Chamber, until the central planning agency had expressed an opinion on it.

C. CONCLUDING REMARKS

Although over-all administrative reform cannot be envisaged as a short- or medium-term objective, as demonstrated in the first section of the present document, it should undoubtedly constitute one of the essential targets of the long-term plan, to be attained by successive annual stages. It has already been pointed out that “administration for development” has a restricted meaning, and represents a requisite for plan implementation; in contrast, “the development of administration” is a permanent objective, whose importance, vital in the early years, may not grow less with the passage of time, notwithstanding the law of diminishing returns, for the present phase in the history of the public sector is one of marked expansion.

No Latin American country has carried out an over-all study in depth of the productivity of the public sector, but partial analyses, almost always made with a view to the rationalization of procedures and structures, have invariably brought to light an immense waste of human and material resources. To take the findings of this research as generally applicable would probably be to exaggerate the inefficiency of the region’s civil services as a whole, for the mere fact that this research was undertaken is in itself an indication that existing conditions were seen to be abnormal. However, the a priori statement that low productivity is a characteristic feature of the civil service in Latin America is probably true enough, if allowance is made for possible exceptions that confirm the rule. This state of affairs stems from deep-lying historical, sociological and economic roots.24

Any increase in the productivity of the public sector in Latin America would probably be linked primarily to the labour factor, and would have a multiplier effect upon the development of the region. There are a number of grounds for this assertion. The first point to take into account is the great and growing

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relative importance of the government's share in the gross national product, which ranges from 42 per cent (in Bolivia) to a proportion which is probably never less than 14 per cent (Costa Rica), public enterprises being included in every case. The average figure is about 25 per cent. Again, an economic breakdown of expenditure shows that approximately 75 per cent corresponds to consumer outlays (mainly on salaries and wages and other forms of personnel remuneration), leaving 25 per cent for real and financial investment and capital transfers.25 Almost the whole of the government's capital expenditure is effected through the private sector, on the basis of contracts for the execution of public works, purchases of equipment, etc. In other words, an improvement in the productivity of the public sector should signify a corresponding reduction in its unproductive consumer expenditure, which in turn would permit of an equivalent increase in State investment or a parallel expansion of current expenditure on services of real value to the public, with no aggravation of the tax burden.

Unfortunately, these effects are seldom seen in practice. Rationalization generally results in the release of manpower, which, owing to administrative inertia, is kept on in offices whose methods have been simplified, automation has been introduced, and unproductive activities have been reduced or eliminated. The only consequence is that the disguised under-employment situation becomes worse than ever. Yet with a little relatively modest investment, genuine conditions of full employment could be established in the public sector. Indeed, administrative inefficiency masks one highly favourable feature: the potential availability of substantial human resources, whose wages are paid by the government, and, on a smaller scale, of materials, facilities and buildings owned by the public sector. All this potential could be mobilized to expand the country's productive capacity.26

Opportunities for applying this potential in these and other ways should be sought by the planners, or perhaps more specifically by technical experts in budget administration and administrative rationalization. This is a crucial aspect of the work of providing instruments for plan implementation. Latin American development plans place emphasis on particular measures considered to be of basic importance, such as land, tax and administrative reforms, which have little or no immediate political viability, and they omit more practical recommendations relating to specific projects and to the practical steps that must be taken to mobilize resources for their execution. Planners seem to have adopted a somewhat idealistic approach — the advocacy of structural changes to make development possible — when perhaps the converse would have been a more realistic and fruitful formula, i.e., the promotion of certain types of development to make structural changes possible.

One pointer to the abstract nature of the Latin American plans is that none of them contains proposals for the creation of development funds out of tax

25 See Planificación y presupuesto por programas, op. cit., chapter I.

26 The existing disguised unemployment also implies, at least in some measure, a disguised savings potential. See Ragnar Nurkse, Problemas de formación de capital (México, Fondo de Cultura Económica, 1955), p. 50.
revenue. Yet a lesson might have been learnt from France, whose Economic and Social Development Fund has been one of the main instruments for the execution of the projects envisaged in the plans, and also for operations designed to increase productivity.\(^{27}\) Again, thought might have been given to the example set within the region by Brazil, which for many years has been using fiscal savings to finance projects for building infrastructural facilities or for launching privately-owned or semi-public industrial enterprises,\(^{28}\) or the recommendations of economic theory might have been followed.\(^{29}\)

The establishment and operation of efficient instruments for the promotion of development has perhaps been a good deal more fruitful than planning in itself. Although no research has been undertaken which would either substantiate or invalidate this postulate, it is borne out by such cases as that of Mexico — with its Nacional Financiera — Colombia — which has similar institutions — and Brazil as mentioned above. These countries achieved very satisfactory rates of industrial expansion, despite their relatively low per capita income levels, throughout the long period extending from 1950 to 1964.\(^{30}\) Mexico has not adopted over-all planning. From the foregoing, it would seem that the administrative organization of planning involves a special problem. It is essential that the planning units should be provided with personnel qualified to define the nature and scope of the instruments for plan implementation and, in co-operation with the appropriate agencies of the public administration, or with the private sector, to draft the pertinent measures and see that they are really put into effect.

One such instrument might be the establishment of public or semi-public financial, industrial, agricultural or transport enterprises to be responsible for launching and subsequently managing projects relating to important plan objectives, especially when the amount of capital required is likely to exceed the sums that could be contributed by voluntary saving. Such enterprises would generate their own resources, and, by absorbing some of the disguised unemployment in the public sector, would help to reduce fiscal-budget deficits and to ensure that resources formerly tied up in parasitical or obstructive activities became productive.\(^{31}\)

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\(^{27}\) See _La planificación francesan_: IV. . . . , op. cit., annex II, for the relevant legal texts.

\(^{28}\) Tax resources earmarked for the promotion of development are applied mainly through Federal banks (Banco Nacional de Desenvolvimento Económico, Bando do Nordeste do Brasil, Banco da Amazônia). The states have adopted similar procedures, and have even been able to safeguard the continuity of operation of some of their planning agencies "in principle, by an instrument linking them to tax revenue, . . . the proceeds of which were permanently allocated to them on their establishment"; See "Economic planning in Brazil at the level of the states", _Economic Bulletin for Latin America_, vol. XI, No. 2, October 1966 (United Nations publication, Sales No.: 67.II.G.4), p. 72.

\(^{29}\) For example, the comments and arguments formulated by R. Nurkse in _Problemas de formación de capital_, op. cit., pp. 170 et seq.

\(^{30}\) See Roque Carranza, op. cit., tables 1 and 160, and _Economic Survey of Latin America_, 1964, op. cit.

\(^{31}\) Some public enterprises in Latin America are run at a loss, especially railway and shipping companies. This does not invalidate the argument.
In proposing measures of this kind, planners should follow the lines of least political resistance. It is highly unlikely that any significant social group would raise objections, for example, to the execution of industrial projects. As they were put into effect, however, there would be clashes with the old bureaucratic, agrarian, tax and other structures, which would make for their reform, even at the cost of a certain amount of friction. That would be inevitable and useful, for as Mary Parker Follett points out, "like engineers we must set friction to work for us".\(^{32}\) Planners must deliberately seek such clashes, but only at judiciously chosen intervals so as not to create undue social tensions. The clashes would be planned, and also inevitable, for if a country was in a position to apply the principle of balanced growth, it would not be an under-developed country.\(^{33}\)

Since the present document is concerned with the administrative aspects of planning, it would be out of place here to embark upon the long and thorough discussion that such questions require. They are mentioned only because of their importance in relation to the viability of administrative reform.

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THE CENTRAL MACHINERY OF PLANNING
AND ITS RELATIONSHIP WITH DECISION-MAKING CENTRES

By Aryeh Attir*

INTRODUCTION

For reasons which this is not the place to mention, the present scope of planning activities in countries which are in process of development merits attention, not only because of the substance of the plans and the economic techniques applied in their elaboration, but also because of the administrative machinery involved. The difficulties encountered in certain plans, especially during the stage of execution, have been attributed to several factors among which not the least has been the weakness of the public administration.

Hence the various studies which tried to analyse the machinery of public administration and its adaptation to the demands of a development administration. The authors of such studies have concentrated more than anything else on the structure, the competence and the functions of the central organization in charge of planning and on the efficiency of the organizations responsible for plan implementation.

The objective of this modest document is to call attention to some environmental factors which condition any administrative activity and to the interdependency of many decision-making centres, which compels the interested parties to co-ordinate their efforts in order to reach concerted action.

The ideas expressed in the document are not original and they derive more than anything from a careful study of modern literature on the subject, and, to a lesser extent, from the personal experience of the author.

A. ECOLOGY OF THE PLAN

The planning machinery cannot be discussed without taking into account its ecology, that is, the environment in which it works. This environment consists of individuals, organizations and situations which jointly or separately may have some impact upon the behaviour of the planning institutions.

Furthermore, even if it does not have a visible impact upon the planning process, we should still be interested in the planning environment because upon studying it we can better understand the behaviour of the planners, its causes and motives.

Schematically, the relation between the environment and the planning organizations could be classified as benign, neutral or hostile. The relation will be benign when the parties involved have common objectives (totally or partially) and when there are no conflicting interests in the means which lead to those objectives. The relation will be neutral when there are no common objectives and no conflict of interests between the parties in their operations. The relations will be hostile when one of the factors mentioned before, or both (objectives and means) conflict with those of the other part.

In the case of planning, there will be more possibilities of conflict and hostile relations with other organizations for the following reasons:

(a) Planning is a relatively new activity and, as such, provoke reticence and suspicion on the part of older organizations;

(b) By its nature, planning tends towards changes and innovations and, as may be expected, is incompatible with the traditional and conservative tendencies of the administration;

(c) Planning organizations must intervene in the business of other organizations to obtain information, co-ordinate programmes and, many times, to supervise the execution of projects. Such intervention provokes hostility.

On the other hand, the planners could find "associates", that is, benign collaborators or, at least, neutral ones, among all the elements who are not satisfied with the present situation and who, consequently, welcome any innovation or reform.

Moreover, planning did not arise from the will of one person but from a situation in which many people, and at least some institutions (in the country and abroad), realized the necessity of conducting the economy of the country in a centralized way, in order to achieve a higher rate of growth and improve living standards. Those interested in planning and those who initiated such activities, will be the best collaborators of the organizations in charge of it.

We go now from generalities into a more detailed analysis of the environment of planning, taking the most important factors one by one.

1. Political organizations

As is well known, a complete separation between politics and public administration exists only in books. If this is true of any administrative organization, it is even more evident in the case of planning, which has many political implications not only in its philosophy but also in its practical development.

First of all, the planning office itself — if there is such an office — is generally under a superior directive or advisory board of a political nature, whether it is called Planning Council, Planning Commission or Ministerial Planning Committee, etc.

Furthermore, many close direct and indirect relationships exist between the Planning Office and the Ministers, the Cabinet, the President and Congress.
Where, then, would be the dividing-line between the political and technical or administrative aspects of planning activities? Theoretically, the answer is simple: the political organizations are those which decide the broad objectives, determine the resources and fix priorities. The administrative organizations, on the other hand, limit themselves to the execution of plans established by the political organizations. In fact, the situation is much more complex. There exists, or at least should exist, a relationship of mutual influence between the two types of organizations concerned with planning: political and administrative. The administrators should provide the politicians with facts and other criteria on which to base their decisions. They generally do this by presenting alternatives with the respective pros and cons, leaving the politicians to take the final decision, as politically appropriate. The politicians, for their part, must supervise the implementation of the plan, in accordance with the spirit and letter of the political decisions. Such mutual influence can be healthy and does not per se endanger the harmony between the organizations. Conflict arises whenever one or both of the parties involved wish to go beyond the legitimate limits of their powers and assume functions which are legally assigned to the other party. This occurs when the political organization wishes to administer the plan or when the administrative organization attempts to introduce political ideas in its plans. Sometimes this behaviour arises from good faith, that is, from the conscience of the organization which intervenes in the business of the other, believing that its intervention is necessary to ensure the attainment of the objectives. Nevertheless, it frequently happens that one of the organizations departs from its original objectives and its “interventionism” aims not at the common interest, but at the benefit of its members or of some pressure groups represented therein. In the case of a political organization, the influence may stem from a political party, from economic groups or from local or institutional interests. In this case, the administrative organization, acting in good faith and trying to protect the common interest, may depart from its prerogatives and do everything possible to sabotage or nullify the action of the politicians. Sometimes, the political organizations, owing to fluctuations in their own activities, tend to change the objectives or priorities established in the plan and the negative reaction of the administrative organization may be due to its wish to maintain the stability and integrity of the plan.

The intervention of politics in the administrative field, and vice versa, is frequent in the developing countries because the differences between the “powers” have not yet crystallized in them.

2. Socio-economic groups

National planning is a form of government intervention for the organized attainment of certain socio-economic objectives. In countries with a mixed economy, such intervention leads the public administration into very close contacts with non-official groups of an economic or social order in the country. This refers to organizations such as labour unions, industrial, commercial or agricultural federations, cultural, scientific, philanthropic or religious associations, etc. Such groups can be considered at the same time as pressure groups
which try to protect their interests vis-à-vis the government or other groups with conflicting interests.

The plan organization, whether political or administrative, must, *nolens-volens*, maintain relations with the socio-economic groups and take them into consideration in all stages of preparation and implementation of the plan.

It depends on the behaviour of the official planning organizations whether the afore-mentioned groups assume a benign, neutral or hostile position. Logically, it is in the interest of the government to diminish the hostile attitudes, or at least to neutralize them, if they cannot obtain a benign or favourable reaction to their plans. The most appropriate method of obtaining benign relations is to keep the private organizations well informed (communications) and negotiate common matters with them in order to reach decisions that, necessarily, would require mutual concessions and reciprocity.

At the basis of any agreement between the government and the socio-economic groups, are the following premises:

(a) The government proposes in its plan a balanced development for the entire national economy;

(b) The good of the national economy is also the good of each socio-economic group;

(c) The difference between the general and the private interest could be reduced essentially to the difference between a long-term and a short-term policy.

3. *The public*

The public is not simply the sum of the groups which compose it, nor is it governed by the same rules of behaviour as any formal organization. Precisely because it is not organized, the public does not submit itself to the principles of organization. The public acts by momentary impulses and, in order to understand it, it would be necessary to apply the mass psychology. Nevertheless, the public has its own interests (even if they fluctuate) and in its possible impact on decision-making centres it could be compared to a pressure group which might be very powerful.

Governments may call upon the public in dramatic moments of the national life such as elections, war situations, internal disturbances, economic crises or natural disasters. It is less common to call upon the public when economic plans or development programmes are contemplated. The latter are generally considered to belong to the domain of professional technicians and politicians.

Nevertheless, this environmental factor (the public) can be a decisive factor in the success of the plans, especially when these involve austerity policies which may imply some suffering on the part of the masses.

Public opinion may support a plan or it may force the government to abandon it or, at least, to modify it. On the other hand, the government may take measures to influence public opinion and mobilize it in favour of its plans. In any case, this factor cannot be ignored, either in the programming stage or during the execution of the plans.
4. Official bureaucracy

It is the official bureaucracy which is in charge of the preparation and, at least, a large part of the execution of development plans. Nevertheless, when we talk about the environment within which the plan operates, we should not forget the Civil Service or the official bureaucracy in its organized form. The personnel who have to deal with the plan form part of the bureaucracy and, therefore, are influenced by the patterns and rules that govern the bureaucracy and their behaviour cannot be very different from the prevailing attitude in this group.

For example, it would be almost impossible, or at least very difficult, to maintain a group of planners motivated by purely technical criteria in a bureaucracy operating solely on the basis of political considerations. Likewise, it would be difficult to recruit personnel for such a group by a system of competence and merit, when in general the spoils system is still in force.

The status and reputation of the official bureaucracy will certainly have an influence on the reputation of the group of planners even though we may assume that an elite group of a quality above the general average has been recruited. This arises from the popular belief that no organization can differ to a great extent from the environment in which it grew up.

The same applies to the operating capacity of the planners, including in this category all those who have something to do with the preparation and execution of plans. Planners cannot operate in a vacuum, and their daily activities depend not only on their own efficiency but also on the working capacity of several related bureaucratic organizations.

Enlarging still further on the subject, we can speak about the way in which the spirit which prevails among planners depends on the general morale in the public service.

An easy conclusion deriving from the brief analysis that has been made in this chapter might be that any effort to create an elite of planners within the general mediocrity of bureaucracy would not be easy, and probably would not give the desired results. In the long run, and because of the interdependency between planning and many other official activities, complete civil service reform would be the best course to adopt.

5. Science and technology

The incredible advances of science, and of its pragmatic relative technology, impose upon the administration various problems which were unknown before.

In the first place, modern administration has to deal with a new type of professional, in electronics, in cybernetics, in nuclear sciences, etc., for whom there is a very big and growing demand in the general market and in the public service as well. The professionals in older sciences, such as sociology, psychology or physics, have to make an effort to keep abreast of developments in their respective specialized fields.

These scientists, upon entering the public service, do not easily submit to the requisites of an administrative hierarchy. Educated in and used to the
philosophy of freedom of the scientific spirit, they do not accept the authority of a general administrator and do not understand the restrictions which non-technical considerations (political or social) sometimes impose on their activities.

The introduction of modern technology into industry and into administration may result in serious unemployment problems or at least displacement of labour. Higher production can nowadays be obtained with a reduced number of workers and employees.

Thus, the problem arises of how to organize the work of scientists and experts. Their integration in the traditional administrative machinery does not always give satisfactory results because of the afore-mentioned and other reasons.

Some governments are seeking a solution to this problem by means of contracts with universities or private scientific enterprises. In this way, such organizations, even unwillingly, enter into the orbit of government policy and its process of taking decisions.

However, the most serious problem is not the one mentioned above, but the impact of science and technology on the quality of the official decisions themselves, and on the values established by society.

Matters such as the eradication of poverty and hunger in some societies, or birth control and even a change of genetic structures, belong to the sphere of realities, changing not only the administrative system to be applied, but also all the nature of public policy.

As science continues to make gigantic strides, public administration and planning must be so organized as to enable society to handle its problems with the tools of the present and the future, rather than with those of long ago.

6. International organizations

International, bilateral and multilateral organizations operating in the field of development planning expanded significantly in the period following the Second World War. In fact, many of the national plans were the result of the initiative of such organizations which, in negotiations for external assistance for development required that short- or medium-term plans be presented as a previous condition to any agreement. In some of the less developed countries there was a scarcity of technical capacity to elaborate their own development plans, and, consequently, the international organizations had to take charge not only of the examination and approval of the plans and projects but also of the formulation of plans, generally preceded by feasibility studies. That is why some "national plans" were hardly more than copies of projects offered by foreign organizations.

Naturally, each one of these international organizations had its own policy and interests, which not always harmonized fully with the interests of the countries concerned.

Another serious problem arises in the application and adaptation of foreign theories and experiences transferred by international organizations to countries in process of development. Learning from others and imitating more advanced
systems may be considered a natural process, but it may also cause negative effects when such a process collides with social and cultural institutions deeply rooted in the country’s traditions. The traditional institutions may disintegrate without giving way to new social structures that are sufficiently strong to replace the old ones. Another situation which comes about very frequently is a confused “coexistence” of old and new systems without attaining any real progress.

For reasons of this nature, some planners demand that the rate of economic development be adjusted to the capacity of the respective society for gradually absorbing and incorporating new forms, if required.

On the attitude of the international organizations and on the alternatives presented by them depend, to a great extent, the formal decisions taken by the national organizations in charge of the co-ordination of external technical and financial assistance.

The adoption of appropriate decisions at the national level is sometimes difficult because of the many offers frequently presented by several international organizations. Proliferation in the field of technical and economic assistance sometimes results in competition where the “winner” is the one who offers the best conditions or the most attractive programmes, even though they are not necessarily the best solution for the needs of the country.

B. ORGANIZATIONS INVOLVED IN THE PREPARATION AND APPROVAL OF THE PLAN

1. Planning organizations

In general, the task of preparing a national development plan is undertaken by a Central Planning Office. The purpose of this office is to gather information to carry out the pertinent studies and to prepare the draft projects of a comprehensive and integrated plan. Actually, many organizations participate in this process and, therefore, some authors prefer to speak about planning complexes or planning systems. The latter concept is valid even if the planning function is legally and exclusively assigned to the Central Office. Experience shows that the multiplicity of organizations involved in planning is not always the result of a deficient distribution of functions or of jurisdictional disputes between organizations, but often of the objective difficulty of concentrating a task of that magnitude in one organization, even if it is well organized and has highly qualified personnel. The nature of the task, which embraces almost the entire range of national activities in the social and economic field, does not usually allow of centralized treatment.

Consequently, we find planning activities on a national scale in the national budget administrations, in central banks, in development ministries, in financial institutions, etc. Participating at the sectoral and local levels are ministries, public enterprises, departments (or provinces), municipalities and regional development corporations.

Particularly important is the role played by the Budget as a tool of planning. After adopting the new system of Planning, Programming, Budgeting (PPB), the Budget, instead of being only a tool for control or efficient management, may
become an instrument which facilitates decision-making between several alternatives. The multi-annual budgets and the utilization of fiscal resources for economic regulation (in the sense of restrictions and incentives) make the Budget even more like a planning body.

Central planning offices which tried to perform all the work of national, sectoral and regional planning directly, without the co-operation of other specialized organizations, were doomed to failure. They lacked precisely the specialization and experience to make the plan practical and feasible. Moreover, the zeal of the specialized organizations tended to arouse resistance during the processes of approval and execution. Therefore, the participation of all planning organizations in the preparation and formulation of the national plans seems to be the most advisable policy.

What would be then the role of the Central Planning Office in this complex or system of planning organizations? Modern authors tend to assign to the Central Planning Office the function of a co-ordinating agency and catalyst.

The system described above may serve for a country where specialized organizations exist and where there are sufficient technically qualified human resources to decentralize responsibilities and to divide the work according to specializations. In some countries which are still in the early stages of development such conditions do not exist and, consequently, centralization is at least a temporary necessity, until the training of technical personnel allows a more advanced division of work.

The formal approval of the plan is a matter for the political institutions: the Cabinet of Ministers, the President (in a presidential system) and the Parliament. Such approval is not to be considered as a final act which takes place when the process of preparation is concluded. In fact, the political institutions intervene many times during the planning process. This intervention occurs in two ways. The first way is through the executive boards or councils which are at the top of some planning organizations. Such boards or councils are generally of a political character and represent several interest groups in the government, among political parties and even among the socio-economic groups. In the second form of political intervention, the draft projects are presented for consideration by the Cabinet and the Parliament (or ministerial and parliamentary committees) in the corresponding stages of their preparation. It is considered advisable to obtain the approval, in principle, of the plans in their first stages, in order to avoid the snapping of work involving many months of efforts when it reaches the political debate in its final stage. Moreover, the complexity of a development plan does not permit partial adjustments in the final stages without impairing the integral and interdependent character of its components.

2. Auxiliary organizations

The auxiliary organizations which participate in or contribute to the preparation of the plan may be divided into two categories:

(a) Organizations which obtain and supply information;
(b) Scientific and technological research institutes.
It might be said that the difference between the two categories is more in degree than in substance; the former undertake a certain amount of research, and the latter have to base their investigations upon facts.

Data and statistics are the basis of all planning. Although a Central Planning Office may have a statistical unit, it would be practically impossible for it to collect, tabulate and analyse all the necessary data. Therefore, the Planning Office has no alternative but to request the assistance of the national statistical departments and the many statistical units which operate in the ministries and in nearly all other official organizations. Likewise, the Planning Office can use information sources available in private enterprises. To this effect, a special legal provision is required, which exists in most countries. In order that statistics may be prepared rationally and do not result in confusion and waste of effort, the following measures are needed:

(1) Exact definition of the terms;
(2) Unified classification of the fields of study;
(3) Standardization of the systems applied; and
(4) Unification and simplification of procedures.

Experience shows that many statistics of the same type are repeated in many (or for many) institutions. This phenomenon could be avoided if one organization, the most interested or the largest, were made responsible for basic or primary statistics and the other organizations limited themselves to secondary statistics in their respective fields of specialization. The Planning Office, in this case, would produce only those statistics which were not prepared elsewhere, or those which other organizations could not undertake.

Another important principle would be to collect the statistics from the source and if possible as a “by-product”, that is, as information obtained, without additional effort, from the production process (e.g., copies of payrolls for statistics of labour costs).

Planners argue that it is sometimes difficult, because of the objective conditions of a country, to obtain exact statistics, a fact which may result in delays and even in the cancellation of development projects. It is the opinion of some economists that the basic needs of less developed countries are often so obvious that planning could be based on approximate statistics and that perfectionism in this field would not be justified.

The importance of science and technology has already been dealt with in the preceding section. Thus, collaboration between planning organizations and scientific research institutes would not require justification, especially in what relates to applied sciences. The planning organizations could utilize the results of such research:

(a) As criteria for evaluating the programmes and projects presented by the interested organizations.

(b) As indicators of the way in which national development efforts should be oriented.

It is worth mentioning that very few countries, at present, can show satisfactory collaboration between national planning and scientific research. Parallel with large-scale scientific research that is being carried out at universities
and special institutions, there would still be room in many administrative organizations for research of lesser scope, similar to the laboratory work carried out in large factories. In this manner, some revenue divisions may have tax research sections and health ministries may have laboratories for drug tests. There is an evident relationship between such units and the sectoral programming departments.

3. **Interest groups**

The failure of many plans that were formulated in the isolation of the "official Olympus" led many countries to the conclusion that the interested groups should participate not only in the execution of the plans but also in the preparatory stages. The famous "modernization committees" in France and similar institutions in the Netherlands and other countries served as a model.

What are the advantages of such institutions and what are their dangers?

Undoubtedly, these committees allow a confrontation of various interest groups (or pressure groups), sometimes opposed in their interests, which makes it easier to evaluate more realistically the forces operating in the society and the prospects of a project which the planning office wishes to launch. The collective experience accumulated in a committee is certainly greater than that which can be drawn upon in a group of technicians in an office and, therefore, it is to be expected that the deliberations of a committee will lead to more accurate conclusions than those reached in the planning office. The actual participation of those interested in the deliberations, even if the final government decisions were not entirely satisfactory to all the parties, would serve to decrease any possible resistance. The interested groups would feel that they had been given an opportunity to defend their points of view, and their contact with other groups and representatives of the government might incline them towards a more responsible attitude which would take into consideration the general interest.

On the other hand, a certain risk is taken by admitting all the interested parties into the deliberations during the preparation of the plan. Committees, because of their nature, tend towards an easy compromise which sometimes does not go beyond the lowest common denominator of all the interested parties. In this way, the original project may be weakened and the significance of an ambitious development plan lost. Another risk worth mentioning also arises from a characteristic of many committees, that is, their inclination towards prolonged discussion. The preparation of a long- or medium-term plan takes many months in any case, and sometimes years. The introduction of the consultation system by committees can easily extend this process.

In conclusion, however, it may be said that the advantages of the committees exceed their disadvantages and that, in general, this type of institution serves to associate the groups interested in the plan and to guide the planners towards appropriate decisions.
C. ORGANIZATIONS INVOLVED IN THE EXECUTION OF THE PLAN

1. The Central Planning Office

There does not seem to be any more to say about the participation of the Central Planning Office in the execution of the plan. Very few continue considering that the Planning Office should be responsible for the execution of the plan and for directing or supervising the development projects financed out of public funds. Moreover, such a formula has proved very difficult to apply. Not even an office with thousands of technicians and branches in different parts of the country could efficiently direct activities that imply an extremely diversified technical know-how and a tremendous operational capacity.

Much more frequent is the model of a Central Planning Office which in addition would be responsible, not only for the preparation of the plan, but also for the control of its implementation.

How can this control be carried out?

First, by the participation of representatives of the Planning Office on the Executive Board of the executing enterprises. The government would, in any case, have to appoint its representatives on the Executive Boards of enterprises established totally or partially with public funds. One or more representatives could be designated by the Planning Office. The effectiveness of such an arrangement would depend on the power invested in these boards and on the number of the Planning Office's representatives they comprised. Where the board has broad powers (a system not necessarily recommended) and the number of Planning Office representatives is sufficient to influence decisions, care could be taken that a policy compatible with the objectives and stipulations of the plan is carried out.

Participation in the executive boards may, nevertheless, create certain inconveniences both for the Planning Office and for the executing enterprise. The board's activities take up much of the time of the Planning Office's staff and thus deprive the Office of much of the time of its best collaborators. Where there is a shortage of technical personnel such a consideration can hardly be ignored. Moreover, the Planning Office's representatives on the boards find themselves in a state that might be called "administrative schizophrenia"; on the one hand, they must represent the interests of the Office and, on the other, they must take steps to ensure the success of the enterprise itself. These two loyalties do not always go together.

Another form of control would be to make the important decisions of enterprises (internal and foreign loans, issuance of bonds, purchase of shares from other enterprises, changes in the line of production, etc.) dependent upon the acceptance or the approval of the Planning Office. The main drawback of this latter system is that it might cause delays and thus harm the interests of the enterprise.

The role of the Planning Office during the stage of plan implementation should not be limited to controls of the above-mentioned type. No less important is the evaluation of the progress made towards possible amendments in the plan (if necessary) and in the preparation of the next plan on the basis of
the experience acquired. An instrument frequently used for this purpose is the periodic progress report of each of the executing organizations.

2. Budget administration

The Budget was already mentioned as an instrument of planning in the previous chapter. The role that the Budget plays or may play in the stage of execution is most important. The annual or operative plans, as regards the public sector, must be reflected, at least partially, in the yearly investments budgets. If this is so, the National Budget Administration may assume control of the execution of this part of the national plan. The classification and presentation systems known as programme and performance budgeting help greatly in identifying the individual projects and the standard costs that are used for each unit of production, in evaluating performance and in maintaining economy and efficiency in governmental operations.

The impact that public expenditure and income may have on the national economy and the behaviour of the private sector is evident. By using the national budget flexibly, the country's economic activities may be controlled or regulated and in that way kept within the frame of a planned growth.

The foregoing considerations show the importance of close co-operation and co-ordination between the National Budget Administration and the Central Planning Office, both during the planning stage and during the stage of execution of development projects. However, it is a well-known fact that rivalries and frictions frequently occur between these two organizations. The partial duplication of functions between them is evident and requires some solution. A basis for such a solution could perhaps be found in the distinction between the operational and the investment budgets. The latter, because of its direct relationship with planning, could be prepared jointly by both organizations (the Budget Administration and the Central Planning Office) subordinating, if possible, the fiscal considerations to the requirements of the plan.

Nevertheless, there would still remain the difficulty of determining whether, for instance, an increase in expenditure as a result of a normal growth in the volume of work should be classified as an operating or an investment expenditure.

Another possible solution of the conflict between the Budget and the Planning Office is of an institutional type and is of a more radical character. According to this solution, both planning and budgetary programming should be carried out in an office placed under the supreme authority in the executive branch of the government (the President or the Prime Minister, depending on the system of government), leaving to the Ministry of Finance only the budgetary execution (that is, control of the execution of the operating and investments budgets).

It would not be difficult to find fault with both these solutions. Thus, the matter continues to be a subject of discussion among students and practitioners of public administration.
3. The Ministries and Administrative Departments

According to theoretical concepts, the Ministries should limit themselves to the establishment of sectoral policies and the programming, co-ordination and control of activities in their respective fields. In line with this concept, the execution of programmes and the handling of individual projects should be delegated to autonomous institutions of a national, regional or local nature. In fact, we find in many Ministries a mixture of all the afore-mentioned functions. There are typically operational ministries, such as the Ministry of Public Works or the Ministry of Communications. Even more traditionally accepted (there seems to be no suggestion of changing it) is the collection of taxes by the Ministry of Finance (Internal Revenue, Customs).

It is different in the case of the so-called Administrative Departments. Their creation arose from the concept that several technical services (and in the majority of cases these are services common to the government itself) should not be subject to political changes and consequently it would not be convenient to give them the rank of ministries and include their directors in the Cabinet. Typical examples of such services are the National Printing Office, Statistics, Supplies, Civil Service, etc. The Central Planning Office itself took in some countries the form of an Administrative Department. It is obvious that some of these Administrative Departments can participate directly in the execution of plans, since they are operational units par excellence.

Because of their close involvement in the execution of development plans and programmes, some Ministries and Administrative Departments have established offices for co-ordination and control of these operations. Such offices can supervise the direct operations of their organizations and they keep control of projects delegated to autonomous institutions.

To avoid duplication between the Ministries and the Planning Office in the performance of co-ordinating and supervisory functions, these might be channelled through the Ministries. In other words, the Planning Office might obtain the reports on the execution of plans from the Ministries. An arrangement of this nature would, however, require complete control by the Ministries over their respective economic and social sectors. This is far from being the present situation and, consequently, the Planning Office may find itself compelled to maintain direct contacts with many executing organizations.

4. Public enterprises and economic regulating agencies

This classification includes the statutory organizations (sometimes called government corporations) and enterprises created under company law. The greater part of the execution of development plans, at least in so far as relates to the public sector, is usually in the hands of autonomous institutions. The transfer of plan implementation to autonomous institutions is a natural development and a fairly logical one. It is in line with the principle of functional or regional specialization and with the idea of separating plan formulation and execution. Furthermore, it makes it possible to keep operations of an industrial or commercial type free from political intervention and from the rigid
bureaucratic controls prevailing in the Ministries. It had been expected that such specialization, technical improvement and “depoliticization” would lead to greater productivity and efficiency. However, these expectations have not always been realized. Instead, an unexpected outcome of this decentralization process has been the separation of public enterprises from government control. Consequently, we find many public enterprises which are not subjected to the general policy of the government, and do not co-ordinate their activities with the agencies in charge of the national plan. The executive boards of such public enterprises were mentioned in the previous section as possible instruments of co-ordination and control. Governments can easily obtain the legal powers (if they do not already have them) in order to exercise such control. Nevertheless, the problem still persists of how to control these organizations effectively, without jeopardizing their autonomy and without depriving them of their operational flexibility, which was one of the reasons for their establishment.

Co-ordination during the execution of the plans becomes complicated because of the proliferation of public enterprises that operate in the same fields, such as colonization, housing, development industries, etc. Moreover, a special problem arises with the so-called regional corporations, which frequently invade the fields traditionally and legally entrusted to departments (provinces) and municipalities and which do not fit into the country’s administrative and political division. This problem, and that of the local public enterprises, will be discussed in the next section on departments and municipalities.

To complete the picture, the so-called economic regulating agencies (although not of the same legal structure as public enterprises) might be mentioned here. They include the Foreign Trade Authority, the Banking Authority, the Monetary Board and many similar institutions. They may be formally dependent on one or another of the Ministries, but, in fact, they are often entrusted with the regulation and supervision of matters related to several ministries. Consequently, they may be considered as inter-ministerial offices at the execution level. However, as in the case of public enterprises, it became extremely difficult, in the case of the regulating agencies, to separate the formulation of policies from the work of regulating and executing them. Great powers have been concentrated in the hands of these economic regulating agencies, and in many cases they have become real decision-making centres, thus encroaching on the prerogatives of the Ministries and the Central Planning Office.

To remedy this situation, the Planning Office may be compelled to appoint representatives on the boards of such agencies and so maintain some control over vital matters connected with the plan.

5. Regional and local organizations

Many public organizations, and almost all of those which deal with development plans, operate at a regional and local level. These include offices of the Ministries and of national public enterprises, departments, municipalities, local public enterprises (departmental and municipal) and regional development corporations.
In general, there is no co-ordination between them and the same services are frequently rendered at various levels by many different organizations. At the moment, none of the units mentioned seems to have sufficient ascendency to assume leadership and to introduce order and co-ordination at the local level. Some observers find that the weakest link in this chain of local organizations is the offices of the Ministries. By reorganizing and modernizing their offices, the departments and municipalities might perhaps, through delegation of powers or contracting, assume the executive functions of the Ministries at the local level. The police, the collection of national taxes and other similar services of a national character are often considered as an exception to the afore-mentioned rule and could be kept directly under national supervision. The national public enterprises could often operate at the local level through departmental or municipal enterprises.

The main problem is the nature of some regional development plans which do not fit into the geographical boundaries of the departments (provinces), that are drawn in accordance with political or ethnical but not economic criteria. The municipality, even though more homogeneous from every point of view, is usually too small for modern development plans. The ideal solution would be the creation of economic regions with their respective development corporations. These corporations would assume responsibility for the execution of such projects, which because of their size or relation to other projects, could not be entrusted to the departments or municipalities. The departmental and municipal governments would be represented on the executive boards, to take care of their interests and, at the same time, to exercise public control over the corporations. Such an arrangement would also be convenient for the Planning Office, which would have to maintain contact with only a few major corporations, instead of having to deal with a large number of small institutions.

6. Private groups

The private groups have already been mentioned (socio-economic groups, interest groups). Their role during the execution of the plan, in so far as the private sector is concerned, might also be of importance, mainly as forums for the evaluation of results, study of complaints and objections, and finally, for deliberations over amendments that might be required in the plan. Private groups have their own sources of information and formal and informal contact with private enterprises, which might sometimes be of more help to the Planning Office than the official statistics and facts obtained through regular information and inspection channels.

The importance of these groups increases when the economic or social sectors that they represent are well organized and unified, and when no doubts arise as to the representative character of the groups. It is for that reason that, in many countries, the Planning Office manages to maintain more fruitful contacts with trade unions or industrial associations than with representatives of small farmers. The latter are not usually well organized and if they have a representative organization, it does not always have sufficient authority to exercise strong influence over the government organizations.
It is already a well-established practice in many countries, for private groups to participate in the capacity of representatives of the interest groups, in trade missions that go abroad to seek markets or investment credits.

Even more frequent are the direct contacts of private groups (on their own account, but with the consent of the respective government organizations) with international groups, in congresses, conferences or simply in trade negotiations. It is in the interest of the Planning Office to activate private groups in this direction, guiding them in the national interest, and co-ordinating their efforts with similar efforts in other sectors, so that all the action taken is compatible with the general policy of the plan.

D. THE SOCIAL DIALOGUE

1. The importance of the social dialogue

From the contents of the previous sections it may be deduced that the main problem in planning is not the lack of techniques or technicians, nor the scarcity of resources, nor even the weakness of the administrative machinery involved, but the difficulty of securing co-ordination and co-operation among the official and non-official organizations during the stages of preparation and execution of the plan. This spirit of co-ordination and co-operation is essential in maintaining what some authors like to call "the social dialogue".

The initiative in starting the social dialogue could come from any party, but it is doubtful whether the Planning Office and other official organizations participating in the plan could do much in that direction if they behave as has been described above. Co-ordination alone would increase the operative capacity of all those participating in the process, by decreasing duplication and overlapping, reducing conflict and friction, and uniting efforts to reach common objectives which would be difficult to achieve separately.

The imperative nature of the social dialogue arises from the fact that there is no single decision-making centre in the planning process, although it might appear that there was if we had to pass judgement solely on the basis of legal provisions. Every interested or associated organization, whether official, semi-official or private, is constantly taking decisions that may have some impact on the outcome of the plan. It would, of course, be superhuman and Utopian if we tried to make everybody agree on all issues and to eliminate sectarian attitudes altogether. Yet, it seems to be within the bounds of possibility to seek common denominators and to reconcile conflicting positions, which are frequently the result of a misconception or a misunderstanding of the situation.

The belief in the effectiveness of the social dialogue has its origin in the assumption that a confrontation of the parties in a dispute may, under certain conditions, lead to understanding and a reconciliation of positions.

Under what conditions could positive results be obtained from the social dialogue?
2. Conditions for a social dialogue

The confrontation itself does not ensure a reconciliation of positions, or an understanding. Some international forums might serve as a good illustration for confrontations between conflicting parties that did not lead to any improvement in the situation.

A basic condition for the success of the dialogue is the sincerity of intentions among the participants. History has many examples of advisory or conciliation bodies that were created only for outward show or to respond to popular pressure.

The deception is easily discovered, destroying morale in the institution that has been created and increasing the difficulty of any future attempts to create similar institutions with better intentions.

Another condition for success would be to secure that all interested parties or their representatives participate, as far as possible, in the dialogue. If this were not achieved, all those who were left out might be expected to feel strong resentment and to do everything possible to bring about a breakdown in the dialogue, thus showing that without them no agreement was possible. Naturally, the dialogue need not necessarily be carried out on a collective basis, and if a meeting of all the interested parties were to fail, the co-ordinating organization could (in the true sense of the word "dialogue") effect separate meetings with each one of the parties.

The form of the meeting may contribute to its success or failure. Mass meetings of hundreds of persons might give publicity to the official speakers or to the organizations which they represent, but the remaining participants, not having an opportunity to express themselves, would not necessarily feel themselves obliged to comply with the resolutions, even if these were reached by majority vote.

Finally, the organizers of the meeting should demonstrate in their future activities that they have kept in mind the resolutions adopted, or at least give satisfactory explanations for not having followed them.

3. Co-ordination and negotiation instruments

Co-ordination is perhaps one of the most difficult functions in administration. It requires self-denial on the part of those involved, because it deprives them, to some degree, of their freedom of action and compels them to bear in mind other people’s points of view before taking any decision. Furthermore, the co-ordination process may be long and complicated, thus resulting in delays in the operations of all the organizations involved.

Consequently, very few would co-ordinate their activities with others, if there were no encouragement or incentive to do so.

One incentive would be the legal provision that compels the planning and executing organizations to co-ordinate their activities with the interested parties.

Another and perhaps more effective incentive would be to provide the co-ordinating institutions with certain powers, such as the right to express their opinion before a request is granted or before any related project of law, decree
or regulation is promulgated. Such powers would strengthen the institution and would induce the interested parties to participate in discussions, thus influencing their activities and at the same time creating conditions for the co-ordination of efforts.

At the highest level are ministerial committees in which some ministers, in closely related fields (e.g., the economic ministries: Finance, Development, Agriculture, etc.), would assume responsibility for solving common problems, sometimes expressly delegated to them by the Cabinet.

At a somewhat lower (technical) level would be the inter-ministerial committees, composed of high officials of the ministries concerned. They would deal with the follow-up of policies established by their respective ministers, e.g., in the field of import regulations. Some regulating agencies, such as the Foreign Trade Authority, have developed from such inter-ministerial committees. Although formally subordinated to a Ministry and primarily of a co-ordinating character, these regulating agencies (as already stated in the previous section) have gradually assumed broader functions which have transformed them into decentralized and fairly autonomous institutions, comparable with public enterprises.

A rather popular institution, which among other things might serve as an instrument of co-ordination, is the Advisory Council established within many official organizations. These Councils, although without decision-making powers, might create opportunities for meetings of various interest groups and thus facilitate understanding and agreement.

To conclude this list, we might add that many executive boards of public enterprises, whose composition includes representatives from various interested organizations, might also serve as co-ordinating instruments.

In exceptional cases and for a limited period, a government may appoint a person as co-ordinator, to try to reconcile conflicting positions of various organizations operating in related fields.

As mentioned previously, the Central Planning Office is considered primarily, in many countries, as a co-ordinating organization. Nevertheless, whenever direct intervention failed to ensure good results, the Planning Office might avail itself of any other instruments of co-ordination, as explained above.
PLAN FORMULATION AND IMPLEMENTATION MACHINERY

By Jozef Pajestka*

INTRODUCTION

The purpose of this paper is to present certain observations on planning and planning machinery which may be of some assistance in increasing the efficiency of planning in certain developing countries. The observations and conclusions are based, to a large extent, on the planning experience of the socialist countries of eastern Europe. It is not intended to describe the experience of these countries, however, but rather to draw certain conclusions from it which may have a wider significance.

A. PLAN FORMULATION VERSUS PLAN IMPLEMENTATION

The experience of the developing nations which have resorted to planning in recent years as a means of achieving better results in social and economic development shows a great discrepancy between plans and actual achievements. It is therefore felt that the emphasis must be shifted from the methods and techniques of planning to the problems of plan implementation.

It should not be forgotten, however, that, although the great emphasis put on plan implementation is fully justified, any increase in the efficiency of planning depends, to a very considerable extent, on the procedures of plan formulation.

The efficiency of planning depends both on implementation measures and on planning methods and procedures. Moreover, implementation problems have a strong impact on plan formulation, and vice versa. The methods and procedures of planning should therefore be looked at in terms of their impact on the efficiency of planning.

The problem of implementation may be considered to be related to the objectives (implementation of the objectives), and therefore involves fitting the measures to the objectives by:

(1) Designing suitable measures to achieve the objectives;

(2) Ensuring that what is actually achieved is in line with the objectives.

Plan implementation may fail either because the measures used are inadequate, particularly if they are not suitable for bringing about the objectives,

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1 "Suitable measures" are any measures which will serve to achieve the desired results (the objectives).
or because what is actually achieved is inadequate, or because of a combination of these two factors.

It is also possible, however, to apply a more narrow concept of implementation. One may assume that the first factor mentioned above should be taken care of by planning proper, while the second factor can be considered to be implementation proper. It then follows that defining the policy measures is a function of planning proper, a part of the process of plan formulation. Planning would, in consequence, include planning the policy measures, or, in other words, planning implementation. If we accept this proposition, then there is no point in arguing any further that proper planning is of primary importance in plan implementation (and, by the same token, in efficient planning). This point is particularly valid and must be stressed. What is then left is what is actually achieved, and for action to be successful it must be well planned.

Both of the above definitions may be useful conceptually. It is worth indicating, however, that neither of them fully corresponds to the term “plan implementation” as it is currently used.

Depending upon the extent and nature of the planning, the scope of the policy measures included in a plan may vary, as may their operational formulation. When a plan does not specify all the necessary policy measures, they may be considered to be left for implementation. Thus, pricing policy for example, may be defined in the plan itself or be defined and implemented as the plan is implemented. Many policy measures can either be included in the plan or be left to be defined during the process of implementation.

In this connexion it should be noted that, although, as a general rule, paying more attention to policy measures during plan formulation makes for more efficient planning, it is not possible and often not desirable for all policy measures to be defined at that stage. In actual fact, even with the extremely comprehensive kind of planning found in the socialist countries, while some policy measures appear in the plans, a large number are left to be defined at the implementation phase.

It therefore follows that the term “implementation”, and particularly the term “plan implementation”, may have different meanings. We can differentiate, for example, between the following:

(1) The implementation of objectives, including both planning policy measures and implementation action;

(2) Implementation proper, confined to implementing action;

(3) Plan implementation, embracing (2) above and, to a certain degree, the definition of policy measures.

I am rather inclined to maintain that looking at the crucial problem of the efficiency of planning in terms of plan formulation versus plan implementation is not very satisfactory. The crucial problem in efficient planning is to ensure that the measures match the objectives, and this must be done through planning and through the actual results achieved.

Past experience in economic development shows that the more active the planning, i.e., the greater the changes and transformations that are sought in the existing structure (in income, employment, socio-economic structures, etc.), the more policy measures are required. A plan which does not go much beyond a
continuation of existing trends will not require special policy measures (providing no appreciable changes are expected in the environment). If, however, a plan aims at speeding up the rate of growth and structural change, and at ensuring a more equal distribution of income and opportunity, for instance, it may be impossible to bring these changes about without including appropriate policy measures. We are principally interested in the latter case. There is general agreement that the developing nations need active planning of the kind described above; the problem is how to make active planning efficient as well.

The ability to implement the policy measures appropriate to active planning differs greatly from country to country. History has shown that the political and institutional structure exerts a very great influence on the ability of a country to implement policy measures matching the objectives of the kind the developing nations have set for themselves and, therefore, on the efficiency of planning. This conclusion is inescapable. Perfecting planning methods and implementation techniques is no substitute for the establishment of the necessary political and institutional structures to ensure efficient planning. The discrepancy between plans and actual achievement in very many countries is principally due to weaknesses in the political and social structure. This situation cannot be remedied by turning to new planning methods or by putting a different emphasis on implementation techniques.

I should like to stress that political and social relationships and the institutional framework determine whether development is successful and whether planning is efficient in all countries in the world (including the socialist countries). The situation in this respect is very different, of course, in various parts of the world. In certain countries, obstacles of a political and social nature may make planning almost completely ineffectual, while in other countries such obstacles may play a greater or lesser role in inhibiting the optimal development possible within the existing economic situation (both internal and external).

I do not intend to discuss here the reforms of political and social structures and institutions that are necessary or that would promote efficient planning, but rather to show how the methods and procedures of planning can improve the efficiency of planning, providing that a basic minimum of the political and institutional requirements for efficient planning exists. Though this kind of approach is undoubtedly limited in scope, certain useful and practical conclusions can be derived from it.

B. BETTER PLANNING PROCEDURES TO PROMOTE GREATER EFFICIENCY IN PLANNING

Given favourable political and social conditions, the efficiency of planning can be considerably increased through the following measures:

1. Active participation by policy makers in the process of plan elaboration;
2. Extensive participation by the various organizations, social groups, etc., in this process;
3. Achieving broad popular support for the plan.

The first thing which is necessary for the application of these measures is a proper understanding of the role and character of the planning process. The
process of plan formulation should not be thought of as a mere analytical search for feasible and desirable development patterns, but as a genuine social process involving various institutions and social and economic forces. As the final result of this kind of process, a development plan is then the result of a certain type of social machinery devised for the purpose of planning.

Experience shows that proper organization and handling of the planning process may have a great influence on planning, and particularly on plan implementation, and can greatly increase the efficiency of the planning system.

So far, not enough attention has been paid to the organizational problems of the planning process (the socialist countries and France are a notable exception in this respect). Most theoreticians and practical planners have directed their attention rather towards methods of quantitative economic analysis. More emphasis on the sociological, organizational and methodological aspects of the planning process seems fully justified, particularly with respect to the developing nations.

Planning at the national level is essentially planning of and for national, social and economic policy. Its purpose is to design national policy objectives and measures, and its function is to serve national policy. This is, however, rather more a statement of principles than a statement of fact. In actual fact, one can find plans which are anything but policy guides, containing many things but no clear formulation of policies. This is obviously neither desirable nor proper.

It is a simple corollary of the above that the policy makers should be the actual planners themselves. Since, however, many factors are involved in the planning process, the policy makers should participate actively in planning.

Policy makers quite often do not participate in the planning process to an adequate extent, preferring to leave planning to the experts. As a result, the plan may become a document representing experts’ opinion rather than policy options. Consequently, policy tends to develop independently, not availing itself of the advantages presented by planning; planning becomes inefficient and policy unplanned.

All who take part in the analytical process of planning always learn from it, and it seems very important that the policy makers should take advantage of this. It is only by active participation in the planning process that they can come to an understanding of the real social and economic problems involved in development in a way which will permit them to make the correct policy choices. For this purpose, it is really very important that planning methods and procedures should be constructed in such a way that those involved can learn through planning.

Active participation by policy makers in the planning process is, on the basis of the planning experience of many countries, the first prerequisite for a proper relationship between the policy makers and the planning experts.

The second prerequisite for a proper dialogue to take place between the two parties is the existence of a common language and recognition of each other’s proper place within the process.

To make active participation by policy makers in the planning process feasible and effective, it is important and necessary that:
(1) Policy makers should understand the interdependencies of development, the social and economic factors involved in development, and, particularly, the interrelationships between policy objectives and policy measures;

(2) Policy makers should have a general understanding of the methods applied in planning (not necessarily a detailed knowledge);

(3) The planning process should match the requirements of decision making, and the functions of policy decision making be built into the planning procedures.

It is a fact that in a number of the developing countries the planning techniques and procedures applied do not take these requirements into account. For example, planning techniques are often presented in a way which makes them incomprehensible to laymen, or there is a tendency to use models in planning which either ignore the function of decision making, or include it in a way which does not suit the policy makers. This impedes participation by policy makers in the planning process and therefore weakens the quality and efficiency of planning.

For there to be a proper dialogue between policy makers and experts, it is important that the two parties should understand each other and play their proper part in the dialogue (i.e., in the planning process). We can therefore reasonably say that planning techniques and procedures should be devised so as to make it possible for policy makers to take an active part in the planning process. Though this may sound like a truism, it is nevertheless very important and has serious implications.

Certain practical conclusions can be derived from the above, inter alia, the following:

(1) The methods of plan elaboration should be as simple as possible and never unnecessarily sophisticated. It should be possible for educated people, non-experts in the field of planning techniques, to follow all the argumentation behind the major solutions of the plan.

Experience shows that the most crucial problems encountered in development planning can be understood, by and large, without sophisticated quantitative analysis. The latter should be used, of course, as an analytical instrument by experts, but it should not necessarily be placed in the forefront of planning problems.

Particular attention should be paid to the presentation of mathematical programming models. Mathematical models which present the final solution to a plan in an incomprehensible way (sometimes even to experts) should never be used as a basis for the dialogue between experts and policy makers; although their suitability as auxiliary, analytical instruments is another question entirely. Plans should never be presented as some kind of deus ex machina, but should be worked out in a way which is clearly comprehensible.

While mastering new planning methods and techniques is certainly worth while, one should never forget that the best methods are not necessarily those which are the newest and most fashionable. Is is essential that planning methods should be workable and efficacious in the environment where they are applied. This is a most important criterion in choosing planning methods.
(2) One of the principal tasks of the planning experts is to define the crucial options in development policy which will become the subject of the dialogue between the experts and the policy makers.

Planning experts should be equipped with methods and develop approaches enabling them to select the various options and to present all the elements needed to make a correct choice between them. Experience shows that planning experts are not always properly equipped to meet these requirements. In particular, the formal accounting approach to planning – which is very popular among planners – generally fails to identify the policy options which are crucial. This is not too surprising since formal planning models are very similar throughout the world, while the actual social and economic conditions are very diverse.

It seems that, in order to perform their task correctly, general planning experts should shift the emphasis from formal models to socio-economic diagnosis and strategy considerations.

(3) Planning development policy is principally planning policy measures. Planning experts often forget this.

Ensuring that the policy measures fit the policy objectives is most important for efficient planning. This kind of consistency in the development plan is difficult to achieve simply by a formal check of the plan variables. Understanding the real social, political and economic conditions, as well as attitudes, may be more important here than skills in programming techniques. It is in this field that the policy makers may have a better understanding and approach than many of the planning experts; and this may be one of the reasons why the experts sometimes shy away from this subject and take refuge in formal devices.

(3) Bringing the various agencies and organizations into the process of plan formulation should help in securing acceptance for the plan. This point does not seem to require any further comment.

(4) Co-operation between the central planning agency and the various participants in the process of plan formulation helps to educate these participants to think in macro-economic and development terms and to have a better understanding of the national interest. This is another aspect of the learning-through-planning process.

The above points show that, by organizing the planning process in an appropriate way, both the quality and the efficiency of planning can be improved, and a great deal of experience confirms this. It means, however, that special machinery for planning has to be devised. To organize such machinery is a difficult and delicate task, involving many problems of an economic, social and political character. Very often the creation of new organizations may be necessary. The problems involved here are rather different from those encountered in constructing methods of quantitative analysis for planning purposes.
C. GENERAL PLANNING MACHINERY

Experience shows that planning on a national scale requires an adequate technical apparatus. Planning is carried out, as a rule, by some sort of specialized body. The character of this body, its location within the government machinery, its functions and rules of operation, all have an appreciable influence on the quality and efficiency of planning. Past experience in this respect is quite diverse. The following solutions have been tried in many countries and are worthy of consideration:

(1) Entrusting planning functions, on an ad hoc basis, to some sort of independent body of experts (e.g., an international organization);

(2) Entrusting planning functions to one of the existing ministries;

(3) Creating a ministry of development, to be responsible both for the development budget (which is separate from the regular budget), and for development planning;

(4) Creating a specialized planning ministry;

(5) Creating a specialized planning agency of an advisory character, attached to the highest executive authority (the Council of Ministers, the Prime Minister, the President).

As with many other administrative solutions, it is not possible to state categorically which of these alternatives is the best in all circumstances. The art of administration, which aims at achieving the best results through the organization of human activities has to assume that the human factor is the most important element in efficiency. Other things being equal with respect to allocation of the human factor (i.e., assuming first of all that the various alternatives have no influence on the availability and selection of experts and the leadership), the following observations may be formulated with respect to the above solutions.

(a) Planning national development policy is the function and the responsibility of the government, and therefore it must obviously be carried out by the government machinery — by a government agency. Employing an independent body of experts — as a permanent solution — cannot yield satisfactory results. There is sufficient empirical evidence to show that planning independent of policy making cannot be efficient. This solution has been found to be particularly deficient in promoting a sound and productive dialogue between experts and the policy makers, which is a sine qua non for efficient planning.

It is of course most desirable for all countries to have independent socio-economic development research available, both quantitative and qualitative. Such research can and should be widely used for planning purposes. It may be found particularly desirable for independent research centres to propose alternative development strategies. No independent body of experts, however, can be a substitute for the government planning agency. Experience also shows that the stronger and the better the planning agency, the more likely it is that independent development research will be used for planning purposes.

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2 "General planning machinery" means the machinery for planning at the national or central level, as opposed to sectoral or other types of planning which are limited in scope.
There is no common ground between the policy makers and the planning experts if the former talk of policy measures and the latter of models. A common ground has to be found in both these fields.

Policy measures should become a major subject of interest to planning experts. The main options for the development policy should be selected first in this field, and become a main subject of the dialogue between policy makers and planning experts.

(4) It is advisable to organize the planning process in stages. This procedure, known as "planning in stages", has the following important advantages:

(a) It brings the policy makers into the planning process, requiring them to take positions with respect to the subsequent versions of the plan. At the same time it means that the function of decision-making is built into the planning process;

(b) It allows for parallel development of the analytical planning process and the process of decision-making: both proceed from general, strategic problems to more detailed problems. Experience shows that this is the most suitable way to formulate policy, both for the policy makers and for the analysts;

(c) It ensures genuine co-operation between policy makers and experts in the planning process and facilitates contacts between them;

(d) It allows for learning through planning for all participating in it.

The specific solutions to the "planning in stages" procedure can and should be devised so as to facilitate co-operation between the various participants and particularly between policy makers and experts.

Planning that is limited to activities carried on by a central agency is bound to be weak. Central agencies have insufficient information, sometimes lack initiative, and are not in the best position to assess current social and economic trends. That is why many countries organize the planning process in such a way that the various economic organizations and agencies can take an active part in the process of plan formulation. This is a basic principle of planning in the socialist countries. It is also applied in French planning and, to a certain extent, in quite a number of the developing countries.

The following points seem to be relevant, and support the concept of a multi-participant planning process:

(1) It is important for plan formulation that the economic, social technological and other knowledge accumulated in the various organizations and research institutes should be utilized. Organization of the planning process should be looked upon as a way of bringing the knowledge, experience and conceptual effort of various organizations and individuals into the common effort to find the best patterns for the economic and social development of the country. This is particularly important in countries where the central planning agency is new and therefore often weak and understaffed.

(2) The various organizations and agencies brought into the planning process have not only the knowledge and information needed for plan formulation, they also have their own views, attitudes and criteria which it is very important for a central planning agency to know since, irrespective of whether or not they are known in advance, they will appear in the course of plan implementation and influence it.
The various participants brought into the planning process make known their opinions about which course of development is feasible and desirable. These opinions are, of course, based on their own criteria and interests, and on the information available to them. If the planning process is organized as a kind of “multilogue” among the various participants, and particularly between the central planning agency and the various sectors and regions, this has special advantages since the planning process then becomes a process of mutual influence. In it and through it the central planning agency can seriously influence the other participants in the process by informing them about general development prospects and strategies and also by convincing them that certain patterns are in the national interest. Very often, of course, sectoral or regional opinion will not allow itself to be influenced by central agencies. This is to be expected in cases where the differences of opinion reflect real divergencies in criteria and interests. To know which these cases are, is most important for central planning, since they indicate the fields where a change in the structure is required if the desired development is to come about. This is most important in planning policy measures and in applying economic instruments, new institutional solutions, and so forth.

(b) It has never been found feasible in the long run to marry general planning functions with the sectoral administrative apparatus within a single ministry. In a marriage of such heterogeneous elements one side has to suffer, and in most cases it is planning, being new, more difficult and controversial, which is the loser.

(c) Although the arguments which are valid with respect to the solution under (2) are also applicable, *mutatis mutandis*, to the solution under (3), the latter solution does merit further consideration.

Since a newly established planning agency is very often lacking in personnel and influence, it may be found advisable to endow it with some real power and influence. In this way the role and position of the planning agency may be strengthened, and therefore also the influence of planning on economic policy. Endowing the planning agency with responsibility for the development budget undoubtedly helps towards this end. This is a point which must be borne in mind.

If it is really found that, within a particular set of circumstances, strengthening the influence of the planning agency can best be achieved by endowing it with responsibility for budgeting the development programme, this solution may be justifiable. It should not be considered, however, as a standard institutional solution to suit all circumstances. Experience shows that performing the technical functions connected with the financing and execution of the development budget may jeopardize the performance of basic planning functions. It therefore seems desirable to find a solution whereby the influence of the planning agency can be enhanced by other means.

(d) Planning on the national scale is automatically a function of the general executive authority. In relation to the various government agencies (ministries or other similar sectoral agencies), it consists of general guidance and the co-ordination of activities. Therefore, it is not necessarily the best solution if general planning functions are executed by an agency similar to the sectoral ministries. It is accepted as a general rule that ministers are equal partners in the
government. Hence, it may be difficult for one of them to perform the functions of general guidance. It is not that this sort of institutional solution is unworkable, but in many cases it does not turn out to be the best solution.

(e) From the above considerations it follows that the institutional solution presented above under (5) may prove the best of all. This solution can actually help to make planning more efficient providing, however, that the following conditions are also fulfilled:

The planning agency is in a position and has the right leadership to exert a real influence on policy decisions and hence on the activities of the government agencies;

It has a good deal of expertise and is impartial and inventive;

It develops correct relationships (the dialogue) with the policy makers, drawing them into the planning process.

It has been found that forming a high-level committee (headed by senior politicians) to work operationally with the technical expert body of the planning agency is very often a very good institutional mechanism to facilitate the fulfilment of some of these conditions.

The following functions are most often listed as the basic functions of the central planning agency: (1) preparing development plans; (2) following up the implementation of the plans; (3) organizing the over-all planning process. The emphasis put on these functions will vary from country to country. While item (1) is always listed as a basic task of the planning agency, quite often not enough attention is paid to (2), and item (3) may be neglected altogether.

Preparation of the medium-term development plan is usually the first task assigned to a newly created planning agency. As mentioned earlier, however, it is often forgotten that designing the policy measures is a most important element of planning which must be included among the basic duties of the planning agency.

As they develop a programming capability, the planning agencies often turn to the more ambitious task of long-term development studies and programming. The need for long-term studies will be more or less pressing, and the conditions for carrying out useful studies of this type will be more or less favourable, depending on the circumstances. It is worth remembering, however, that, although the conditions and possibilities for over-all long-term programming may not be at a very advanced stage, it may prove very useful and even necessary to work out partial long-term programmes, particularly for the various components of the infrastructure. It is not necessary to delay such studies until a general long-term programme is formulated.

The planning agencies often follow up the implementation of development plans by means of periodical (annual) progress reports. In the reports the economic performance of the country is reviewed, analysed, and measured against the plan objectives, and policy measures to facilitate plan implementation are suggested. Quite often, however, the latter element is neglected, or even forgotten altogether.

Experience in introducing planning has led many of the developing countries to the conclusion that elaborating medium-term plans and following up their implementation through annual progress reports is not enough to make planning
really efficient. It is thought desirable and even necessary to introduce operational short-term (annual) plans. In the socialist countries, where annual plans constitute an important element of the planning system, these plans perform the following functions:

(a) They introduce the necessary changes into the medium-term plans;
(b) They design the measures of plan implementation.

In order to make planning more efficient and policy more coherent and purposeful, the planning agencies in the developing countries should therefore include annual planning among their basic duties. Introducing annual planning helps to make the planning system more flexible (making it possible for medium-term development plans to be adapted to changing conditions in a systematic way); it allows for proper designing of current policy measures and, in particular, makes for better co-ordination of the annual government budgets with the development plan – something which in many developing countries is of crucial significance for the planning system.

While the formulation of development plans is considered in all countries to be a basic function of the planning agency, it is not always fully realized that for it to perform this task in an appropriate way it is necessary for the central planning agency to be very active in organizing the over-all planning process. Since this involves many government agencies and other organizations and, indeed, means influencing the whole institutional structure to adapt it to the planning system, it is reasonable to list this as an important function of the planning agency. In this connexion, certain activities are worthy of special attention.

The availability of statistical and other information is always of crucial importance in planning. Therefore, the planning agency has to concern itself with developing the informational basis for planning and, indeed, organize it where necessary. It has been desirable and often very necessary for the central planning agency to exert an effective influence on the programmes of statistical research undertaken by the statistical agency. In a few cases, the central statistical office has been placed under the direct control of the planning agency, although this does not seem necessary or desirable. The practice in some countries of working out annual programmes of statistical research in a way which allows the planning agency to exert an effective influence has proved successful and merits particular attention. Statistical offices are not the most suitable agencies for collecting technical information and other information from external sources. If this sort of information is considered necessary for planning, then the planning agency should make proposals for the creation of the appropriate organizations or suggest other ways which might help to provide the information required.

Since, as indicated earlier, the planning process should involve many agencies and organizations, it is necessary for the central planning agency to work out the general planning procedure and to guide the planning process throughout all its stages. While establishing the formal outline of the planning process (defining the stages, the participants, the forms of draft plans, etc.) is quite an important element in organizing the planning process, it is much more difficult to determine the various institutional arrangements which may be needed for
planning. Generally it has been found necessary to establish new organizations or institutions to perform the various functions in the planning process, for example in the following fields:

- Creating the capacity for project studies (feasibility studies) in the various sectors;
- Establishing regional planning bodies;
- Developing a research and planning capacity in the various sectoral agencies;
- Creating institutions which will draw the private sector into the planning process.

It must be stressed that the central planning agency should not limit its functions to formulating plans within its own framework. In order to improve the quality of plans and to make planning more efficient, the central planning agency should apply measures to organize planning activities throughout the institutional structure of the country.

As stressed earlier in this paper, planning on the national scale essentially consists in planning national social and economic policy. It follows that the general planning machinery should comprise two basic elements:

1. The decision-making authority;
2. The technical planning apparatus.

These two elements are clearly identifiable: the first is the government, the second the central planning agency. This means that the planning agency is a kind of technical apparatus for preparing decisions, and not a decision-making body. It is very often emphasized that the central planning agency should have only advisory functions and therefore be a body of an advisory character. Arguments for this proposition are quite strong and can be accepted, it seems, as a standard institutional solution, although with certain very important qualifications.

The planning agency can be limited to an advisory function only if there really is efficient and proper co-operation in planning between the government and the planning agency. This means that the government must actually be engaged in planning its policies. If it is not committed to planning, however, and not ready to submit the activities of its various agencies to the control of the planning policy, making the planning agency an advisory body may make the whole exercise rather academic and not very productive.

Experience shows that although the proper function of the planning agency should be advisory, it is still very important for the advice given by it (in the form of draft plans, recommendations for policy measures, etc.) to carry an appreciable amount of weight. It is particularly important for the planning agency to have enough influence to counteract sectoral forces which are sometimes very powerful. It is certainly not easy to ensure that it has this kind of influence if it is principally an advisory body. The strength of its arguments, based on correct information and research, are certainly of great importance, but

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3 The functions of the Parliament are not taken into account here. Though they may be of crucial importance in relationships between the Parliament and the government they do not, as a general rule, affect relations between the government and the planning agency.
in most cases this alone will not be sufficient. It is therefore very important to strengthen the planning agency politically, and this is often done by putting a person with a powerful political position at its head. It should also be mentioned that forming a high-level committee working operationally with the technical apparatus of planning (as indicated earlier in this paper) helps to strengthen the real influence of the central planning agency. It may be found, however, that additional institutional solutions are necessary to ensure that the planning agency exerts the proper influence within the government machinery as a whole.

The efficiency of the central planning agency depends, to a very great extent, on the quality of its staff. The difficulty of obtaining high quality staff for a newly organized planning agency in a developing country is only too clear. There is no country in the world, however, which would not encounter some difficulty in staffing a newly created national planning agency.

In view of all the limitations and difficulties that are encountered in planning it is very important to select personnel who, while they may not have received special training will be capable of acquiring the expertise required for planning at the national level. Experience shows that new staff can acquire the necessary technical skills in a relatively short time by "learning through planning", additional training courses, etc., providing that they are properly selected. It is therefore very important in selecting staff to keep in mind certain qualities which national planning experts must possess, the most important of which are:

1. A good knowledge of the country's economy, society and institutional structure;
2. A combination of dynamism, inventiveness and expertise;
3. The ability to think in macro-economic development terms;
4. Some familiarity with the development experience of other countries;
5. The ability to undertake quantitative analysis.

In view of these requirements, the best results are obtained when the staff for the central planning agency is recruited from among the following two groups:

(a) Highly experienced experts from government agencies and other organizations;
(b) Young ambitious people from the universities and research institutions.

A judicious combination of people from these two groups produces the best blend of staff for the planning agency, although each group requires a different type of training.

To ensure efficiency, it is also essential for the planning agency not to adopt the routine ways and procedures prevailing in some of the traditional administrative agencies. It should develop patterns of organization and procedure reasonably similar to those of the research institutions.
ADMINISTRATION OF SECTORAL PLANNING

By the Public Administration Unit of the Economic Commission for Latin America*

INTRODUCTION

There is a general agreement that, for over-all national planning to be successful in Latin America, it is vital that the sectoral planning machinery should operate efficiently. In a paper presented to the United Nations Committee for Development Planning ECLA states: "The absence of efficient sectoral and intersectoral co-ordination machinery means that the co-ordination achieved at the core of the system weakens or disappears altogether at the lower levels as a result of organizational and procedural deficiencies." 1

There is a tendency to use the term "sectoral planning" as if it meant some kind of unambiguous action within one sector of the economy. In point of fact, however, sectoral planning is just as complex as other types of planning, and ranges from the formulation of the ideological framework for the plan to the actual implementation and supervision of specific projects. Furthermore, "sector" may mean for instance, education, communication, medical and social services, mineralogical development and mining, agriculture, public service, industry or any other specified area of an economy. Though the development of most of these sectors should be integrated by means of interlocking over-all plans broken down into sectors, it is necessary for administrative reasons to split up the planning process at most stages. In this context we shall emphasize planning within industry and agriculture, as these sectors are regarded as strategic and worthy of special interest in present-day Latin American planning. 2

A. ADMINISTRATIVE ASPECTS OF SECTORAL PLANNING

IN GENERAL

Government responsibility for the development of an economic sector can be said to have two sides. First, there is the question of political responsibility.

* Document ST/ECLA/Conf.30/L.8.


2 See, for example, Latin American Institute of Economic and Social Planning, Discusiones sobre planificacion, 1966, p. 49.
The government answers to Congress for the political content of all that it achieves. By its nature, the political responsibility must always lie with the Cabinet; it cannot be delegated below the ministerial level.

Secondly, there is the question of administrative responsibility, i.e., the responsibility that devolves upon the government in its capacity as administrator of the public institutions. It implies the performance of all activities in accordance with the law and the efficient fulfilment of the tasks of each institution. The administrative responsibility and the corresponding authority can — and must for practical reasons — be delegated below the ministerial level. It is matters related to the government’s administrative responsibility for sectoral planning that are discussed in this paper. Regarding sectoral planning institutions, ECLA has stated that there should be an interaction between sectoral units of a central planning office and programming units within each Ministry and individual department. Functionally speaking, it is advantageous for the actual programming to be as near as possible to the operational level of the sector. The programming units of ministries should be supported by sub-sectoral units for the programming of branches of sectors (micro-sectoral planning). Various bodies, called executive groups, programming groups, working groups, or similar names, have been established in Latin American countries for this purpose. They normally comprise representatives of organizations operating directly within the sector, institutions for research, financing and promotion, and other bodies concerned with the execution of the sector’s policies. They are oriented towards the implementation of given programmes, and their relation with programming bodies at the ministerial level have proved particularly valuable for project preparation. If a project is to be well designed, a direct knowledge of the conditions under which it is to be carried out — to be obtained only by actual experience of operations in the field — is essential. The Symposium on Industrial Development in Latin America, held at Santiago, Chile, in 1966, concluded: “With respect to the liaison that should be maintained between the agencies formulating industrial programmes, those promoting or executing them and those handling the various instruments of industrial policy, there was a consensus of opinion of the need to seek appropriate machinery whereby such agencies could be efficiently co-ordinated with a view to removing the stumbling-blocks currently existing in the industrial field.”

The efficient administration of sectoral plans depends very much on the existence of planning institutions but there is no organizational model for such institutions that can be proved to be superior to all others. The model that ECLA suggests — a central planning office within or closely related to the office of the President, sectoral programming units within ministries, and decentralized units for regional planning — has been preferred by several countries in the region. Almost all the countries of the region have a central planning office, and sectoral and regional offices are being established. This scheme seems to work well for programming and project preparation. Problems arise mainly when

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planning is linked with the short-term operational machinery, in which case, the functional ties between planners and executives are often too weak. “Isolated as they usually are from the traditional channels of administration and decision-making, the planning offices have often been saddled with the responsibility of preparing a development plan with a minimum of guidance from the political authorities or none at all... In the circumstances, the plan which has been drawn up has not been discussed in sufficient detail by the various government policy-making and executory organs, and therefore creates resistance in the Ministries and decentralized agencies.”

This lack of co-ordination and of detailed discussion seems to be the parting of the ways between programming and operative institutions. This is no less true of sectoral than of global planning. “By 1965, medium- and long-term industrial plans of a general character had been drawn up, within the framework of an over-all model, in most of the Latin American countries. Except in Cuba’s case, the plans in question conformed to the basic principles of the Charter of Punta del Este and to the technique of analysis and projections disseminated by ECLA. Hardly any of them laid down measures of economic and social policy in sufficient detail. The specific projects included in investment plans were few and far between, and only in a limited number of instances had any significant regional planning been attempted, nor were the possibilities opened up by the economic integration of Latin America taken into account.”

The aim of planning is to establish more coherent methods in order to arrive at better decisions. This implies, in the first place, ways of improving government action including the kind of co-ordination between programming and operative institutions mentioned above and, in the second place, the “decentralization of decision-making beyond the formal government apparatus”. Decentralization is indispensable, particularly in the agricultural and industrial sectors of mixed economies, because of the large numbers of independent entrepreneurs. It is usually achieved through the operation of certain tax, marketing and price systems. With the introduction of price and market mechanism in some centrally planned economies, similar means of decentralization are being developed there.

B. ADMINISTRATION OF INDUSTRIAL DEVELOPMENT PLANNING

The active participation of Latin American governments in the process of industrial development is a recent phenomenon. Until lately the role of governments was more one of fiscal control and the mere gathering of statistical

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5 ECLA, Experience and Problems in the Implementation of Development Plans, op. cit., p. 22.
6 Industrial Development, Latin America, op. cit., p. 11.
information than of active promotion and guidance of industrial development. Now, several reasons are given for the closer involvement of governments in industrial development, in the so-called mixed economies not only as promoters but also as direct producers:

1. **Strategic reasons.** The industries which are essential to national defence are often government-operated. The need of secrecy regarding this kind of production is one of the strategic reasons.

2. **Financial reasons.** Industries of great economic importance to the nation may require long-term investments which private interests are not willing to make at the moment the government considers them necessary.

3. **Operative-economic reasons.** For permanent works undertaken by governments, such as road construction, it may prove more rational in certain circumstances to establish public enterprises than to rely exclusively on private contractors.

4. **Reasons of employment policy.** In cases of structural unemployment the government may temporarily run some industries while movement of labour, retraining, and other means are used to solve the long-term employment problems.

5. As a means of securing open competition, the government may start public enterprises to supply certain products in competition with private industry in market situations where competition is insufficient.

Many administrative deficiencies still exist in the industrial policies applied in the region. When industrial planning was first introduced into Latin America, protectionist policies were the most popular but at later stages, more importance was given to direct State promotion and, eventually, to indirect incentives. Many programmes of industrial development still reflect a protectionist outlook, although efforts towards the economic integration of the region are being made at the same time.

So far, direct State promotion has been concentrated on the development of the so-called "dynamic industries", such as steel, chemicals, motor vehicle production and metal transforming. Large-scale efforts to promote whole branches of industry have been attempted mainly by countries that have reached a comparatively high stage of economic development. These larger programmes require a certain maturity in the planning instruments including a proper institutional set-up for project preparation and implementation and the participation of the private sector. For example, the “executive groups” of Brazil and the “programming groups” of Venezuela have implemented specific programmes for the strategic branches of industry in which both public and private enterprises are concerned.

Other forms of private sector participation were mentioned at the Industrial Development Symposium: “...attention was drawn to Mexico’s export and import boards, in which the private sector played an important part. In Colombia private enterprise participated in industrial planning through the private Sector Development Committee (Comité Privado de Desarrollo). But it was pointed out that in many countries private enterprise was still relatively

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8 See, for example, *The Process of Industrial Development in Latin America*, 1965 (United Nations publication, Sales No.: 66.II.G.4).
weak, a circumstance which, in many cases, had induced the public sector to assume a more energetic role in the planning process.9

In many countries of the region there are still no uniform criteria for the formulating policies of indirect incentives. These shortcomings are matters of general economic and tax policy which should be outside the scope of this paper were it not for the weakness of the public administration units which are supposed to direct such policies. The improvement of the policy-making instruments depends to a large extent on improving the government administration.

Organizational structure of an industrial planning system10

It is obviously impossible to present a complete scheme of government institutions for industrial development planning that would suit all the countries of the region regardless of the political and economic structure and the size of the country; nor is it possible to describe functionally all the activities to be performed by governments in the process. Nevertheless, there are enough common denominators in terms of administrative principles for it to be possible to discuss some way of organizing sectoral planning within a ministry of industry and trade. (See figure I. The reader should note that the chart is somewhat too detailed for countries where the government is just beginning to engage in industrial development. In countries where no ministry of industry and trade exists, many of the corresponding functions can be performed by the ministry responsible for the general promotion of economic growth.)

1. The function of leadership should obviously be exercised by the office of the minister. This function is of basic importance in any sectoral planning system. It is the central function of government to provide such leadership in any political and administrative activity by formulating policies, exercising initiative, and acting as an over-all co-ordinating and directing agency.

There are certain prerequisites for the fulfilment of this function.

(1) The leadership must be effective. This is to be achieved mainly by an appropriate combination of two complementary conditions:

(a) The responsibility of the ministry for the direction of the planning process must be clear and unequivocal. This means, on the one hand, that the focus of sectoral programming should be in the ministry and not outside it (e.g., in a central planning agency or development corporation) and, on the other hand, that the public advisory bodies should not confuse their consulting function with executive responsibilities. The minister would receive directives, i.e., the framework for sectoral planning, from some higher body, such as a committee of ministers for planning, but advice only from bodies constituted to give such advice, the most important of which

9 Industrial Development, Latin America, op. cit., p. 12.

10 Figure I and the functions discussed constitute a basic model used by the Public Administration Unit of ECLA. In 1965, Shimon Danieli, then Regional Adviser in Public Administration attached to ECLA, presented a draft paper on this subject entitled "Organization for sectoral planning" (ECLA, Public Administration Unit, July 1965).
Figure I  ORGANIZATIONAL CHART OF INDUSTRIAL PLANNING (Ministry of Industry and Trade)
has been called here the national sectoral advisory council. However, it is of
great importance that the advisory bodies should be asked to deal with
concrete problems and that their councils should have an influence on the
formulation of policy. In figure 1 the national sectoral advisory council is
shown as heading a number of sub-sectoral advisory councils. Whether there
are such sub-sectoral councils depends, of course, on the actual needs and
resources of the country.

(b) The minister must be able to obtain public support for the
formulation and implementation of the plan. Public support and co-
operation may take many forms: advisory bodies acting at the general level
or in specific fields (e.g., branches of industry, co-ordination of specific
policies, such as wages), or joint working groups for purposes of investigating
investment opportunities or other programmes.

(2) The ministry must have all the necessary staff to initiate policies,
undertake programming work, operate auxiliary services, and guide operational
activities. The sectoral planning office would be the principal arm of the minister
in the formulation of over-all sectoral policies and programmes. The task of the
sectoral planning office can be defined as follows:

(a) To compile comprehensive data on the entire industry and to assist
the policy-maker in drawing up a comprehensive industrial policy;

(b) To prepare, in collaboration with the respective branch offices of the
department of industry, thorough surveys of the different branches of indus-
try in order to determine the optimal over-all size of each branch, and
its organization, structure and planning;

(c) To draw up specific projects for the establishment of new and the
expansion of existing undertakings on the basis of the branch surveys.

It is essential that the relation of the sectoral planning office to the central
planning agency should be perfectly clear. A suitable relationship might be along
the following lines: general data, such as future population increase, the
expected rise in the standard of living and other key phenomena, would be
worked out by the central planning agency. These findings would then be used
by the sectoral planning office for the formulation of specific industrial plans.
The sectoral planning office would submit to the central planning agency the
anticipated demands of industry arising out of the plans it has drawn up, which
would have to be approved by other government offices. These demands would
cover agricultural supplies, electricity and water consumption, the volume of
imports and exports through the different ports, inland transportation,
manpower needs, etc. It is the duty of the central planning agency to make sure
that the demands are based on reasonable estimates. The sectoral planning office
would have a corresponding responsibility for revising the sectoral plan to ensure
that it respects the criteria established in the global planning. The final product
— the approved sectoral plan — should, as far as possible, be agreed between the
two agencies.

It might not be realistic to apply this procedure in toto immediately after
the planning organization has started to operate. Most probably, the central
planning agency would carry much more weight initially than the sectoral
planning office. It is, however, important that such a situation should be only temporary.

Although over-all policies would be formulated and programming work would be co-ordinated primarily in the planning office, it is inevitable that many policies, programmes and projects should be initiated in units dealing with specific fields, services, and activities and maintaining close contact with operating organizations. The units are basically of two kinds: promotion institutions and State enterprises. They are established by the government to fill important gaps in the economy; hence the requirement that their activities should be consistent with other government policies. This might be self-evident and require no emphasizing but for the fact that the integration of such activities with the sectoral planning system raises a number of thorny political, economic and administrative problems. An organized effort is needed to solve the integration problem.

2. Substantive programming is basically a back-stopping function, where substantive know-how, largely of a technological nature, is most important. To carry out such a task satisfactorily, there is need for an appropriate department (called here “Department of Industry”) which would have at its disposal a number of technical divisions, each functioning in different branches of industry, such as the textile industry, electronics, the chemical industry, paper and wood industry, small industries, etc. The every-day functions of the department would be regulatory work, assistance in solving the actual problems of the branch, and other executive tasks. Its participation in the planning process would be as a supplier of detailed information regarding each branch. The up-dating of technological developments, product surveys and the technical programming of sub-branches of industry is essential to provide background data for broader programming work. The technical divisions should co-operate with the planning office in the preparation of industry surveys and projects, and with any other department of the ministry in fulfilling functions for which substantive know-how is needed. Such collaboration can be fruitful when related to broad background studies and policies, as it would be in the case of industrial and exports promotion, and also when related to the current activities of the ministry, such as quality control. Each industry has its own particular programming problems, which the purely planning division cannot solve.

3. Industrial services. The term “industrial services” should be understood here in the broadest possible sense, excluding, however, those services which are concerned only with the promotion of exports.

One broad category of industrial services is applied research. The “staff function” in this field is twofold:

1. To create a point of contact and provide a clearing-house between industry and scientific institutions, explaining to the manufacturers the possibilities of developing production revealed by research, and at the same time interesting scientists in industrial problems. This is a task that may have little real basis today in the less developed countries of the region, but it will be of importance in the near future;

2. To set up the organization and the scientific machinery for applied research.
There are many possible avenues for improvement in this field. The most obvious is collaboration with universities and research institutions, where these exist. These institutions would be used largely to carry out the work outlined in scientific institutions under item (1) above. The task of an appropriate ministerial unit would be to propose specific projects to these institutions or otherwise to promote their co-operation and to assure the co-operation of the industrialists. Partial government financing of such projects would usually be necessary.

The establishment of general or branch technological institutes and research associations is another kind of industrial service. It is the function of these institutes to provide the branches of industry with advice and guidance, to improve production processes and output, to develop new processes and products, and to carry out industrial research. The establishment of a field service at the branch institutes for the solution of the routine technological problems of the industry might be one important activity.

Considering the shortage of trained manpower in this field, it might be advisable for the branch institutes to be concentrated in one central technological institute which would have the objectives of providing a channel for the exchange of information and creating the proper atmosphere for applied research, giving more prestige to scientists by making their work and contribution more “visible”, and promoting better co-ordination and more systematic planning between industry and science.

The productivity institutes also are in the category of industrial services. They are essentially industrial management institutes. Like industrial research institutes, they study the process of production with a view to improving it, but the techniques they use are mainly management techniques. They engage also in feasibility studies and training activities. The chief and basic purpose of such institutes is always to increase the productivity of the industry.

One important function at the ministerial level within the industrial sectoral planning system is to promote and guide institutions providing direct auxiliary services to industry. Among the purposes of such institutions are better quality control, the standardization of products, improving the design of products, improving packaging, documentation and information services. No developing country has the means to perform such tasks unless the government takes positive action to make this possible. All these functions should be performed with the fullest co-operation of the industry itself. They are important for the proper development of the industrial production process, efficient marketing, and particularly for successful exporting.

Manpower planning for industry has long been recognized as an indispensable part of industrial programming. In any design of over-all planning, manpower planning would probably have to be located in a ministry whose activities were not limited to a single sector of production. The most natural choice is the ministry dealing with labour problems. None the less, there is an enormous number of current and long-range problems of which the ministry responsible for industrial programming would have the best first-hand knowledge. This would require the institutionalization of co-operation patterns with the ministry of labour and the central planning agency in the field of manpower.
and probably, in addition, the delegation of some selected responsibilities to the ministry of industry and trade.

It has proved necessary in most industrialized countries for the State to assume great responsibility for training in all industrial skills. Variations in the demand for specialized workers and supervisors and a need of new categories of such workers may result from sectoral planning. In this case, coherent manpower planning, which includes the planning of education and training to meet the new needs, is only a logical second step.

In many cases the ministry of labour is the central organ responsible for training programmes as well as for manpower planning. However, for the same reasons as those for which the ministries concerned with the different sectors should be responsible for much of the sectoral manpower planning, a high degree of responsibility for industrial training should be given to the ministry of industry and trade.

In the United Kingdom a new way of organizing government participation in industrial training is being tried out. In the last few years, industry training boards have been set up in branches of industry, starting with the Engineering Industry Training Board in 1964. The boards are autonomous agencies closely co-operating with the Ministry of Labour. Their task is to evaluate the training that is carried out by companies within their branches and to decide whether or not it is up to certain fixed standards. A levy related to the sum of wages and salaries paid is collected from each company. The levy is reimbursed to those whose training programmes meet the established standards, and they may be paid a bonus if their programmes are above the required standards. If training is deficient in the branch as a whole, the balance of the levies is used by the board for supplementary programmes.

This system is extremely flexible in the sense that the government engagement can vary from one year to another in accordance with actual needs.

4. Direct industrial promotion in the countries of the region has mainly been the responsibility of autonomous organizations, such as general development corporations and industrial banks. Because of the weakness of the central government agencies, these institutions took over some functions which by their nature should belong to the ministries. Even if this trend is reversed, it should be assumed that financial promotion and many allied activities will, for a long time to come, be performed most efficiently by such institutions. Moreover, as development activities continue, it must be presumed that new autonomous institutions will have to be established, such as additional banks (e.g. small industry banks). However, at the same time the ministry will increasingly feel the need to co-ordinate such activities and to give general policy guidance in accordance with the country's monetary and tax policies. The main operative activity of the ministerial unit would consist in the application of the law in industrial promotion, the chief purpose of which is to encourage investment in various ways, principally through exemption from certain taxes and duties.

5. Trade. In the field of trade, export promotion is recognized as the most important activity at the present time. It is included in the chart of the planning organization in order to make possible a close co-ordination between production and export incentives from the early programming stage. The activation of some
of the incentives requires the establishment of special institutions; this is the case for the insurance against foreign trade risks, which is usually provided through special companies. Another example is the channelling of small-scale industry products through certain co-ordinating bodies.

Market research is in many countries a fast-growing function requiring a special organization for its integration into the planning process. Government agencies can assist in improving the marketing function by studying the existing system and developing policies to improve it, by standardizing production in certain branches through specifications of measurements, methods and quality, by giving indirect encouragement to investment in marketing, by organizing training, and in other ways.

Domestic trade should be included in the planning, particularly as regards industry's contribution to certain items of the national development plan, such as the consumption of industrially processed food and clothing and the production of capital goods for investment purposes. It is the duty of the ministry of industry and trade to develop proper ways of regulating the quantity, kind, quality and form of output.

6. Lastly, the working groups in figure I would implement specific programmes and projects. As already mentioned, they would be composed of representatives of institutions for research, financing and promotion, branch organizations, and others involved in the execution of the sector's policies. Consequently, they would not be regular administrative units of the ministry. It is suggested, however, that the chairman of each group, together with his secretariat, should be employed as officials of the ministry, which would make them responsible to the minister of industry and trade for their operations.

C. ADMINISTRATION OF AGRICULTURAL DEVELOPMENT PLANNING

As mentioned in the introduction to this paper, government responsibility in sectoral policy is twofold: one of governing the sector (political responsibility) and one of administering its public bodies (administrative responsibility). This part of the paper deals mainly with the latter, as regards the process of planning.

What is here called "the process of planning" does not necessarily lead at one stage to the presentation of an agricultural plan. It is rather a line of government action which may in some cases not even be called planning. The process may be outlined as follows:

1. In the formulation of government policies in agriculture certain objectives are established which express — generally in non-quantitative terms — the government's goals in agricultural development. The objectives are then related to facts and figures showing the actual state of the sector's economy and its growth potential over given lengths of time, and quantified targets are then established, indicating the desired and possible rate of growth for all branches of the sector.

2. The next step is to define means of action for reaching these targets. The means are given positive formulation in what are called vertical and horizontal programmes. Vertical programmes are those composed of all the planned
activities concerned with a simple item, such as one crop, cattle, etc. A vertical programme includes various means of action, such as technical assistance, research, credits, and others. A horizontal programme is the planned total of a single means of action, for instance all the projects of extension service.

It is a government task to select the means of action to be used, that is, to design the specific programmes for agricultural development.

3. A third stage of the process is implementation and evaluation. Following the strategy laid down in the programmes, the government plays a decisive part in the execution of projects. Coupled with execution is the evaluation of project implementation, which is aimed at supervising the action taken under the plan and at supplying data on the basis of which gradual changes and adaptations may be made in the original programmes.¹¹

In Latin America efforts towards the planning of agricultural production made a definite step forward at the beginning of the present decade. As has already been mentioned, a great impetus was provided in 1961, with the foundation of the Alliance for Progress, which required that applications for assistance should be based on development plans. Even before 1961, however, agricultural planning had existed, often in the form of isolated sectoral plans emphasizing public investment projects within the sector.

Though conditions for agriculture and also for agricultural planning vary considerably from one Latin American country to another, certain features of the objectives, the planning functions and the government services are somewhat similar. "The agricultural objectives of the development plans are generally derived from such over-all objectives as increasing the national income, reducing inequalities in income distribution, improving the balance of payments, or increasing employment opportunities. While there are naturally differences in emphasis from country to country, the agricultural objectives are strikingly similar, at least among the developing countries on the one hand and the developed countries on the other."¹² In most plans the main objective is to increase production as rapidly as possible. Increasing the production of exports is another commonly specified objective, as are savings of foreign exchange through the replacement of imports by domestic production, structural changes such as land reform, and employment objectives. As to fishery, most countries plan to expand the exploitation of their fishing grounds by improving traditional methods, while Peru, and to some extent Chile, are carrying out plans for modern industrial fisheries. Forestry development plans have still not reached the stage of implementation, although the forest products industries have progressed considerably.

Functions of government administration in agriculture

According to the concept of agricultural planning used in this paper the government lays down the guidelines for all activities within the sector of

¹¹ See below, "Control of Operative Plans, Programmes and Projects" (ST/ECLA/Conf.30/L.4).

¹² FAO, The State of Food and Agriculture 1965, p. 115 et seq.
agriculture over the period of the plan. Planning is therefore understood as a comprehensive activity which regulates all traditional government functions in this field, such as research and experimentation, education, extension work, the extension of credits, the enforcement of regulations, and the provision of direct services to producers. Figure II illustrates the basic structure of the agricultural sector when this concept is applied. It shows that the minister of agriculture has, in his capacity as political head of the sector, the full responsibility and also the highest authority for sectoral policies. He exercises this authority through the agricultural plan which thus guides all the activities of the sector, whether carried out by bodies pertaining entirely to the sector or by organizations acting only partially in it.

Under the minister, figure II shows the kinds of institutions which share the administrative responsibility for carrying out sectoral policies. The ministry of agriculture, directed by the minister in his capacity as its administrative head, is one part of this organizational set-up.

At the third level, some of the activities corresponding to each kind of institution are shown.

Once the targets of a plan have been approved, the State generally uses two different types of action to achieve them – direct and indirect means.

The first category comprises a wide range of activities, such as direct government farming and marketing of finished products, production and distribution of inputs (seeds, fertilizers), etc. Another form of direct government action is that designed to meet the infrastructural needs of the agricultural sector, e.g., the construction of irrigation and drainage works, roads, silos and other storage facilities. (Social services, such as housing, education, and recreation, are sometimes considered direct means of action within the sectoral framework in so far as they are required for the implementation of sectoral plans.) Furthermore, the State takes direct action in the fields of research, the conservation of natural resources, inspection and sanitary measures, technical assistance and extension services, the classification and standardization of products, and many others.

Indirect means of action are used by governments to guide groups or individuals towards established objectives. Within the context of agricultural planning, indirect action is used as a complement to direct measures for organizing production and distribution, influencing patterns of consumption, etc. This is done through tax measures, credit policies, price regulation, etc., and also through social legislation. The importance of indirect action stands out in countries with large numbers of independent farmers, whose behaviour is to be co-ordinated within the planned development, as is the case of most nations of the region.\textsuperscript{13}

Most of the direct action has to be carried out by the Ministry of Agriculture, as it calls for co-ordination at the ministerial level. Let us look for a moment at the grouping of functions within the Ministry.

Often one single administrative unit of the Ministry must be responsible for two or more functions because of shortage of staff or for other reasons. In this

\textsuperscript{13} See for example, \textit{Discusiones sobre Planificación}, op. cit., p. 57 \textit{et seq.}
Figure II

AGRICULTURE
Minister of Agriculture
(in his capacity as chief political officer)

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Institutions for administration of the sector

Agricultural plan

Ministry of Agriculture (headed by the Minister in his capacity as chief administrative officer)

Formulation, implementation, control, evaluation

Autonomous public bodies of the agricultural sector

Inter-sectoral autonomous public bodies

Other ministries operating in the sector

Examples of activities

Enforcement of regulations

Education (schools of agriculture)

Education (national universities)

Irrigation works (Ministry of Public Works)

Training and extension

Supply of seeds and fertilizers (supply corporations)

Regional development (special corporations)

Infrastructure (Ministry of Public Works)

Research

Credit (agricultural banks)

Credit (inter-sectoral banks, regional banks)

Exports (Ministries of Trade, Industry, Economic Affairs, etc.)

Marketing

Land settlement

Education (Ministry of Education)

Note: The purpose of this figure is to show that the agricultural plan is a guide for all activities in the sector, whether they are carried out by agencies of the agricultural sector itself or by bodies which carry on only some of their activities in that sector.
case, as has been pointed out,\textsuperscript{14} it is very important that these functions should be compatible. "Thus, for instance, it is highly desirable that close liaison should exist between research and extension work . . . Similarly, there is no apparent conflict of functions in associating the regulatory duties of a field officer, such as inoculations, dipping, erosion control or crop protection, with responsibility for providing certain direct services, such as improved livestock and seed, fertilizers or machinery."\textsuperscript{15}

The combination of extension work with the enforcement of regulations seems to be the least recommendable. If these functions are not kept apart, the attitude of the producers towards extension services may be prejudiced by the basically negative character of regulatory work.

The function of plan formulation can be divided between an agricultural planning commission, advising the minister on general policy matters related to planning, and a regular unit for planning and budgeting. The commission would consist of representatives for inter-sectoral public bodies, such as the national bank and other credit institutions, research organizations in the field of agriculture and such ministries as those of Education, Public Works, Industry and Trade. Furthermore, the agricultural planning commission would be the forum for the participation of the private sector in the early stages of planning. Representatives of producers’ federations and other associations within agriculture would have a voice in the commission.

The planning and budget unit elaborates the agricultural development plan and evaluates all the programmes and projects of the other departments of the Ministry so as to co-ordinate them with the plan objectives.

There are good reasons for combining the functions of planning and budgeting in one unit now that there is a trend towards the use of budget techniques as instruments for plan implementation and not only for administrative and financial control. It is not enough, however, that planning and budgeting should be linked at the programming level. The funds for agricultural development should de facto be channelled through the Ministry of Agriculture, which should be responsible for their utilization. In this way the full benefit can be gained from the linkage between planning and budgeting.

The policies for agricultural development carried out by the Ministry and those of the agricultural banks and other credit institutions must be coherent. Otherwise there is a risk that credits may be granted for projects that are not part of the sectoral plan, or are even contrary to it, because the criteria for judging credit-worthiness are not the same as those which govern the selection of projects for the plan. "The Agricultural Bank should establish the basis on which requests for credit will be granted in collaboration with the Ministry of Agriculture, and then extension workers can approach rural producers and offer to help them to meet the Bank's requirements."\textsuperscript{16}

\textsuperscript{14} Victor W. Bruce, "Factors and Functions in the Organization of a Ministry of Agriculture" (paper published in "The Workshop on Organization and Administration of Agricultural Services in the Arab States" (ST/TAO/M/24), 1964, p. 78).

\textsuperscript{15} \textit{Ibid.}, pp. 78-79.

\textsuperscript{16} \textit{Ibid.}, p. 81.
Agricultural economics should be assigned to a special unit of the Ministry. The functions of such a unit — statistics, economic studies, market research and marketing, farm management, land capability studies, etc. — are very important for a planned development of the sector. Agricultural economics should be co-ordinated with government engagement in agricultural co-operatives; either both functions should be carried out by the same unit or some other means of co-ordination should be established.

Regarding the other traditional functions of a Ministry of Agriculture, such as agricultural research and experimentation, extension and training, plant protection, irrigation, fisheries, forestry and forest products, and also internal administrative functions, such as finance, personnel, documentation and audit, there may be separate organizational units for each function, depending on the scope of the activities.

It has already been mentioned that the implementation of agricultural plans and the execution of the sectoral policies involve other ministries besides the Ministry of Agriculture. Irrigation works and infrastructural investment for agricultural development are matters which also concern the Ministry of Public Works and government contractors. The Ministry of Education normally takes part in agricultural education. The distribution and sale of agricultural products involve the Ministry of Economy or Commerce, and so on. For these inter-ministry activities autonomous agencies may be formed. A machinery for consultation may also be set up by means of co-ordinating committees composed of representatives for the ministries in question.

In the case of autonomous agencies having their own budgets, the ministry should make sure that they do not perform any of the regular duties performed by the ministry, thereby duplicating certain functions of the sector and weakening the supervision of the ministry. The work of autonomous agencies should be restricted to inter-ministry activities or temporary tasks that exceed the capacity of the corresponding unit of the ministry.

Institutional patterns for agricultural planning

Direct government action in agricultural planning requires a network of specialized institutions, which for some purposes coincide with the traditional public bodies of the sector but which, for other tasks, may be new institutions requiring new authority.

There is a wide variation in organizational patterns in the region, according to varying national conditions and different plan objectives. In some countries government influence is exerted through a large number of specialized institutions which often have a high degree of independence vis-à-vis the Ministry of Agriculture. In others, the process of planning has shown that more co-ordination and guidance are required from the central units of the ministry.

All countries introducing planning have to judge which functions to centralize and which to decentralize, since national planning is itself a system of centralized decision-making. Although this may seem contradictory, there may often be a high degree of centralization and of decentralization in the same organizational structure. In fact, the two should be regarded as complementary.
Bertram Gross uses the metaphor of the "arteries of decentralization" and the "veins of centralization" and states as a principle of development administration and planned economic development: "The power to achieve significant progress can be obtained only through some combination of centralization and decentralization."\(^1\)

Countries like Venezuela and Chile have tried to meet the need to decentralize specialized functions maintaining or strengthening authority in the central offices of the ministry.

The Venezuelan Ministry of Agriculture started an administrative reorganization in 1966 based on a study of the procedures used by units of the Ministry in the execution of certain programmes. The reorganization was aimed at adapting the Ministry to the requirements arising out of the sectoral plans as presented by the national planning agency (CORDIPLAN). From the study it was seen that executory units at regional and local levels ought to be strengthened and that policy-functions should be emphasized at the central level. For this purpose, what are called dependencias (government departments) in the interior of the country were given increased authority. At the same time executive functions were taken away from the Ministry in Caracas, which became a programming and supervisory unit. It was possible to transfer more than two hundred officials from the Ministry's headquarters to decentralized and specialized bodies.\(^1\)

The studies of procedures also indicated the need for the Ministry to undertake certain new activities. Six new specialized units were created as parts of the ministerial organization (see figure III).

The Technical Office of International Agricultural Affairs was formed to centralize all international transactions such as programmes of technical assistance and external financing, meetings and conferences, and programmes for the training abroad of Venezuelan agricultural technicians.

The Office for Agricultural Development of Irrigation Systems was created with the objective of co-ordinating all work within the Ministry concerning irrigation and to improve co-ordination with the Ministry of Public Works and with CORDIPLAN as regards the programming of the expansion of irrigation works. In his report to the Congress\(^1\) the Minister points out cases of defective planning, which has resulted in the construction of irrigation works in areas which, even with a satisfactory water supply are not suitable for the kind of crops that are most needed. Before the creation of the Office for Agricultural Development of Irrigation Systems, no specialized unit of the Ministry participated in the planning of irrigation works.

The Inter-departmental Committee for Agricultural Policy serves as a secretariat for a high-level committee composed of the Minister of Agriculture,


\(^1\) Ibid., p. 50.

\(^1\) Memoria y cuenta 1966, presented by the Minister of Agriculture to the National Congress 1967, p. 11.

\(^1\) Ibid., p. 11.
Figure III. ORGANIZATION OF THE VENEZUELAN MINISTRY OF AGRICULTURE

Minister

- Fiscal supervision and analysis
- Banco Agrícola y Pesquero
- Office of the legal counsel
- Public relations
- Technical Office for International Agricultural Affairs

Department

- National Fisheries Office
- Extension and education
- Animal health and livestock industry
- Renewable natural resources
- Research
- Agricultural engineering
- Administration

- Sectoral planning
- National Agrarian Institute
- Advisory Committee on Agricultural Policy
- Personnel
- National Research Council
- Office for Agricultural Development (Irrigation Systems)

9 regions
10 areas
the Chairman of the National Agrarian Institute and the General Director of the Bank of Agriculture and Livestock.

The functions of the Inter-departmental Committee are to co-ordinate the policies applied by the three organizations and to find ways to ensure the harmonious development of the agricultural sector. As most of the Committee’s work concerns the level of planning and programming, its members are the chief of the sectoral planning unit within the Ministry and the chiefs of programming and budgeting of the Bank and the National Agrarian Institute.

In view of the need to follow closely the development of all the sub-sectors of agriculture, the Advisory Commission for Agricultural Policies was established. It undertakes sub-sectoral studies for the formulation of future plans and policies and advises the Minister on the basis of the results. Another special function of the Commission is to determine the consequences for the agricultural sector of Venezuela’s joining LAFTA.

The National Fisheries Office was established to formulate policy and programmes for the development of fishery, to draft the necessary new laws, and to direct and supervise all promotion activities concerning fishing.

An advisory council was formed by officials of the Ministry in order to head the new Administration of Cattle-breeding Centres. The eight Centres belong to the Ministry. Their task is to facilitate artificial insemination and improve breeding. They also provide direct technical assistance to farmers in connexion with the best use of grasslands, the preservation of equipment, etc.

The new bodies were staffed by transferring personnel who were already working in the same fields in other offices of the Ministry. No additional costs are reported to have been caused by the changes.21

Apart from the creation of new units, the Venezuelan Ministry of Agriculture reports an administrative improvement in existing functions, such as personnel administration, finance, accounting and statistics, and data processing.22 These improvements are likely to facilitate plan implementation. With respect to personnel administration, the methods of screening and selecting staff were revised, giving increased importance to proved merit and to capabilities matching job requirements. An inventory of the personnel was brought up to date with the use of electronic computers, and a programme for the evaluation of efficiency was launched.

The first results of this administrative overhaul seem to indicate that a considerable improvement of the sectoral machinery can be achieved at quite low cost by the following means: careful study of work distribution to eliminate overlapping or gaps, critical analysis of the usefulness of existing functions and the potential value of new ones, systematic evaluation of programmes as a budget follow-up, and efficiency control, etc.

In Chile the administrative restructuring of the sector is part of agricultural planning. It is included in the plans and programmes that are drawn up by the Agricultural Planning Office (ODEPA). The administrative reform stemmed from the need for agrarian reform and it is directed towards this purpose. The agrarian

21 Ibid., p. 31.

22 Ibid., pp. 13, 14, 34-40, 137-144.
reform law is the legal basis for most of the organizational changes that the agricultural sector has recently undergone. As the law was passed only in July 1967, the experience of the reforms is too recent for detailed study. However, some features of the new administrative structure of the sector may be presented as examples of problems that have to be taken into account in agricultural development planning.

1. The diagnostic studies\(^2\)\(^3\) preceding the new law indicated a need to co-ordinate sectoral finances. The Ministry of Agriculture had no influence over investment in irrigation works, silos and other storage facilities, food-processing industries, and many other installations affecting agricultural planning.

In fact, according to the studies, the Minister of Agriculture had a direct and decisive influence over only 10 per cent of the whole budget for the public agricultural sector in 1965, and over less than 2 per cent of the capital budget. Less than 5 per cent of agricultural credits were channelled through the Ministry.

It was considered necessary to combine the financial and the substantive co-ordination of agricultural development. Hence the Ministry now receives the total annual amount of government grants for agriculture and decides how these funds shall be allocated among the public institutions of the sector. Through the National Agricultural Credit Council, the Minister also plays a more active part than in the past in credit matters.

2. The Agricultural Planning Office is organizationally anchored in the Ministry of Agriculture but its task is to plan the development of the whole agricultural sector. To that end its planning comprises agencies of the Ministry of Land and Land Settlement, the National Irrigation Company, which is a subsidiary of the Ministry of Public Works, various agencies of the Ministry of Economy which operate within the agricultural sector and, lastly, the undertakings of the National Bank which concern agricultural credits. This full sectoral approach to planning is adopted by the Ministry of Agriculture in agreement with the Central Planning Office.

3. A third organizational change which was considered necessary was the co-ordination at the local levels of the work of all the institutions that participate in the execution of agricultural policies. The country is now being divided into uniform zones for this purpose. Not all sectoral bodies are represented in all the zones, but the zonal limits apply to all those which are represented. Committees composed of the zonal heads of all the agricultural institutions will be formed for co-ordinating purposes.

The traditional Latin American pattern of government administration of the agricultural sector is one of considerable decentralization, particularly as the sector comprises a large number of autonomous agencies with executive tasks. Their financial co-ordination is assured by the Ministry of Finance in the normal way through the granting of funds, but substantive co-ordination is rendered difficult by the lack of clear administrative relationships between the executive bodies and the corresponding units of the Ministry of Agriculture.

\(^2\)\(^3\) Presented by Mr. Sergio Figueroa, chief of the Institutional Group of the Agricultural Planning Office, in a memorandum to the Minister of Agriculture, 13 October 1966.
In Colombia, for instance, where diagnoses for new plans are now being
made, the sector has a decentralized institutional set-up. At the ministerial
level the decentralization takes the form of a horizontal dispersal of the
planning-programming function among various offices. Thus, plan formu-
lization is the task of the National Planning Council, the Administrative Department of
Planning and of the Planning, Coordination and Evaluation Offices of the
Ministries of Agriculture and Development.

There are sectoral institutions, which include independent planning offices,
within the provincial governments. Research, extension services and training are
provided by various institutions, some of which are closely related to the
Ministry of Agriculture and others only remotely or hardly at all. These are: the
Colombian Agricultural Institute, the Colombian Land Reform Institute, the
institutes for the promotion of cotton and tobacco, the Institute of Techno-
logical Research, various autonomous regional corporations, the federations of
producers (e.g. Federación Nacional de Cafeteros, Federación Nacional de
Cacaoteros, Federación Nacional de Cultivadores de Cereales, Federación
Colombiana de Ganaderos) and several others. Training is given by all
institutions providing extension services and by the National Apprenticeship
Service.

Special sectoral credit institutions like the Fund for Agricultural Financing
of the Bank of the Republic, the Caja de Crédito Agrario, Industrial y Minero,
the Banco Ganadero and the Banco Cafetero either grant credits directly or
channel them through the organizations concerned with extension services.
Thus, for instance, the federations of producers make loans from funds made
available to them by credit institutions as well as from their own sources of
income.

Matters of marketing and distribution are handled by the National Supply
Institute.

Conclusions

The reason for decentralizing the agricultural sector as in Colombia and
many other countries is no doubt a wish to avoid lengthy communications and
other complicated procedures in making decisions and by specialization to arrive
at better decisions. It is evident, however, that this kind of institutional structure
is an obstacle to the planning process outlined in this paper. As has already been
said, there is no panacea which will provide ideal administrative frameworks for
all the problems of agricultural planning. This makes it all the more necessary for
administrative revisions to be integrated parts of the planning process. The
most urgent task in this context seems to be the achievement of an improved
economic evaluation of agricultural policies. Until the economic outcome of the
activities of the Ministry of Agriculture is ascertained with sufficient accuracy
there can be no reliable analysis of the administrative aspects of these activities.

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24 A comprehensive description is given in Armando Samper Gnecco, Memoria del

25 For a detailed discussion see below "Administrative planning for economic and social
development in Latin America" (ST/ECLA/Conf.30/L.5).
ECONOMIC PLANNING IN CUBA

By the Central Planning Board (JUC'PLAN) of Cuba*

A. SOCIO-ECONOMIC FOUNDATIONS OF PLANNING

Planning is a special social branch of human endeavour which consists in determining models for directing complex processes by analysing the inter-relationships between them and their co-ordination and sequence in space and time in order to achieve specified objectives as efficiently as possible.

Planning as a rationale, i.e., the attainment of maximum targets by specified means, has always been a part of productive activity and of economic activity in general, although its systematic application to all economic activity in a society is a relatively recent development.

In the capitalist system of production the principle of economic planning has a strange duality. On the one hand, because production is competitive, there must be a very high degree of planning in the internal management of an enterprise. This, in its turn, has brought forth a whole series of instruments to ensure that optimum economic decisions are taken at the enterprise level. However, the pull of the market forces — the determining factors in economic activity — is counterbalanced by the capitalist’s tendency to reject any external restrictions which limit the manoeuvrability of his enterprise. This conflict between the ample flexibility the entrepreneur needs to maximize the return on his capital and the limits that society imposes upon him from outside, was a motive force historically, at the period when nascent capitalism burst the bonds of the feudal system.

These events and the part they played in developing the forces of production have been described in terms which are forceful, although somewhat dated.

In 1776 Adam Smith said in his classic work:

"... It is thus that every system which endeavours, either, by extraordinary encouragements, to draw towards a particular species of industry a greater share of the capital of the society than what would naturally go to it; or, by extraordinary restraints, to force from a particular species of industry some share of the capital which would otherwise be employed in it; is in reality subversive of the great purpose which it means to promote. It retards, instead of accelerating, the process of the society towards real wealth and greatness; and diminishes, instead of increasing, the real value of the annual produce of its land and labour.

All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free

* Document ST/ECLA/Conf.30/L.17.
to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men...1

It is strange to see that almost 200 years later, these positions – abandoned by more discerning apologists – are being reoccupied in Latin America and that the same ideas are being defended more or less openly under the cloak of laissez-faire, in opposition to the planning efforts that are being made in the region.2 However, it is not worth analysing these positions, on which history has already passed judgement.

As observed above, planning first emerges as an internal need within the enterprise. As competitive capitalism develops into monopoly capitalism, the bounds of planning expand enormously: planning is done, not for one factory but for a hundred, and for whole branches of the economy – and not just in one country but in many.

There are huge monopolies whose planned resources are greater than the national income of some Latin American countries. Consequently, they probably devote more technology, manpower and funds to planning than any of the capitalist economies in Latin America.

When planning is looked at in this light, it is clear that there is common agreement on its major advantages. However, the enormous difficulties of introducing planning in Latin America are well known. Recognition of this fact is the starting-point of this Seminar.

Where, then, do the difficulties come from? The answer is clear from the example given above. The monopolies have expanded the limits of planning and made it possible to plan on a scale which often exceeds that of a Latin American economy, but the problem is fundamentally of a different kind. In the case of a monopoly all interests are subordinated to those of the capitalist monopoly which is in control; the objective is clear: to maintain the status quo, and the decision-making machinery is perfectly in line with this objective. In the case of competitive capitalism, the economic decision-making power is basically fragmented and in the hands of individual capitalists, each of whom represents interests which are not only mutually antagonistic but also frequently in conflict with the general interests of society.

It is obvious that any discussion of national planning problems in market economies must embrace more than the mere techniques of planning.

This is a good example of how trying to retain a non-political approach to a problem which has deep social roots can prevent its being properly discussed.

The crux of the problem we are now considering lies in the conflict between private interests, which basically control economic decision-making, and the general interests of society. The answers to Latin America's planning problems will be found, not by seeking methods of making economic projections which

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2 A typical example of this is the discussion described in *Economic development for Latin America* (Howard S. Ellis, ed., London, Macmillan, 1966) relating to a study by I. A. Mayobre entitled “Global Programming as an instrument of economic development policy”. 
may or may not be effective or ways of organizing planning agencies, but by considering the following questions:

(a) To what extent can economic decisions be master-minded, guided, co-ordinated, produced or merely encouraged by a planning centre?

(b) Will there be enough flexibility to carry through the changes in the economic structure which will promote a high growth rate?

On more than one occasion, and particularly whenever the system itself has been in danger, there have been attempts at over-all planning in the capitalist economies.

In such cases the conflict between the need to work for a common goal and the interest and powers of the individual capitalist has been resolved in favour of the former, because of the need for survival. Examples of this are the “war economies” set up by the United States and the United Kingdom during the Second World War, in which the play of market forces was replaced by the allocation of goods and the establishment of production quotas based on a system of priorities designed to maximize the war effort. Subsequently, during the period of reconstruction in Western Europe, over-all programming was again used, especially for investment.

Another decisive factor in winning acceptance for global economic planning was the October Revolution and the initiation of the GOELRO Plan in 1920, with the successive five-year plans, which dealt a death blow to the idea that economic progress must be based essentially on the play of market forces by demonstrating the practicability of achieving high and sustained economic growth rates.

This is the choice facing the peoples of the under-developed countries, which are all suffering from the excesses of the capitalist system, since together with the injustices inherent in a system involving private ownership of the means of production, they have to face vestiges of a deep-rooted feudalism and a systematic drain on their reserves, all of which restrict their development potential even within the bounds of the capitalist system.

It is not surprising that the gap between the under-developed countries with capitalist economies and the rest of the world is steadily widening. It is obvious that as long as the poor continue to pay for the progress of the rich there will be no change in the situation.

In summary, it can be said that the proven failure of the various kinds of laissez-faire, and the clear demonstration of the fact that it is possible for under-developed countries to attain high rates of growth by other means, have been the major factors promoting discussions of planning in Latin America, so much so, in fact, that it can be said that there is now at least a formal acceptance of the need for planning.

There are three fairly well defined attitudes to planning. The first, which has already been mentioned, is one of overt or covert rejection of any attempt at over-all planning. This is the view defended by Latin American capitalists and foreign monopolists who see planning as an attempt to subordinate their private interests to the general good of society and thus restrict their freedom to protect their investments.

The second view is that the interests of entrepreneurs must to some extent be subordinate to the general needs of society and that there are some areas of
the economy in which free enterprise is ineffective. The proponents of this view also argue that, by creating the appropriate climate for new investment projects, perfecting planning techniques, and eventually convincing all those concerned of the need to carry out specific structural changes in order to step up domestic savings, etc., an adequate growth rate will gradually be attained.

The third view is that planning cannot be envisaged as a collection of programming techniques independent of the social medium in which they are to be applied, and that once the pointlessness of trying to attain development goals within the existing institutional framework has been demonstrated, the main task becomes the achievement of the social, political and economic changes required to secure the fruits of human progress for the peoples, here and now.

The official doctrine regarding the present situation in Latin America is defined in the statements made at the Punta del Este Meeting, in which the fundamental role of planning in the promotion of economic development is recognized.

This verbal acceptance of planning does not mean that it has been accepted in spirit — as in the case of land reform, which has been proclaimed in many Latin American countries but has not, so far, produced any substantial changes in the system of land tenure, except in a very few cases. This is clear from the failure of efforts to put over-all planning into practice.

This apparent acceptance of planning, basically as a political gambit, often masks an unyielding opposition to it.

Planning is often publicly attacked by the very people who should be defending it, with such well-worn slogans as “State intervention imperils individual freedom,” and references to the “problems of the quality of goods and services in nationalized enterprises,”3 “the low productivity of labour in state enterprises,” and so forth.

This does not mean, however, that the State does not have a limited role to play in economic activity, which consists essentially in promoting investment in the infrastructure and in participating in some branches of the economy which, owing to their high investment costs and low initial profitability, are not very attractive to the capitalist.

Generally speaking, this is the policy advocated by such international financing agencies as the International Monetary Fund and the Inter-American Development Bank in their loans to States. Obviously, this greatly limits the ability of governments to influence the development of the productive sectors of the economy, while, on the other hand, it saves the national or foreign investor from having to contribute to the development of this type of facility.

In the final analysis, the positions which it is most important to discuss in this Seminar are those which assume in good faith that high rates of growth can be attained in Latin America by means of planning, and that this can be achieved

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3 It would be interesting to make a genuine comparison of these “problems of quality” in State and private enterprises — particularly in the under-developed countries, where society is less well protected against the excesses of capitalism and where the nightmarish descriptions of Upton Sinclair’s *Jungle* still apply — both as regards the adulteration of food and as regards medicines and hundreds of other products which are deliberately presented so as to deceive consumers.
under a system of private ownership of the means of production with foreign capitalists participating in and controlling key sectors of the economy.

To discuss this topic we shall first have to consider the lessons of history, both in Latin America and in other regions, and then the operational factors inherent in the process of raising growth rates by means of planning, and demonstrate whether or not the conditions for planning actually exist.

India and France, which are at present the most advanced examples of what planning consists of in a market economy, are particularly good illustrations of the conditions under which some partial successes have been achieved.

The conflict between capitalist interests and the need to programme economic activity to meet India’s urgent development needs is gradually being resolved because of the danger to internal stability represented by two things: the extreme poverty of large masses of the population, and the example of China, which, starting from a similar stage of under-development, has managed to send its economy soaring upwards.

In addition, the external assistance furnished by the Soviet Union has provided Indian planners with substantial resources which they can use without any strings attached in any sector of the economy, whether productive or unproductive. This has certainly had a favourable indirect effect on the kind of assistance furnished by other countries.

Despite the fact that in India the State has played a much greater role in economic development than governments do in Latin America, the planners’ efforts have not been enough to achieve the goals sought, since a high rate of sustained growth has not been attained.

For example, under the first five-year plan the growth rate rose from 1 per cent to 2.8 per cent, and under the second to 3.9 per cent, but under the third, it was only 2.3 per cent. Over the period as a whole the economy grew faster than the population, but not much faster.

Symptomatic, too, are the continual disagreements between the planning authorities and national and foreign capitalists, the most recent example of which is the latter’s refusal to finance State development of the fertilizer industry.

France’s case is rather different. It has a highly developed economy which is in danger of being absorbed or displaced in the long term and is endeavouring to foster a world situation that at present is in its favour.

Apart from the internal limitations of this model, for example its level of manoeuvrability within a less favourable world situation, it is fairly clear that there are a number of limitations in its assumptions that make it inapplicable to Latin America.

First, France is a highly developed country in which structural changes are really nothing but minor modifications, while in the Latin American economies radical changes in structure are an urgent necessity. Strategic branches of the economy, energy and public transport for example, as well as the production of military supplies and the funds for research, are controlled by the State and constitute additional ways of influencing economic activity, not only in the indirect manner of the classic Keynesian instruments, but also by indicating proportions and influencing the rates of development of the various branches. On the other hand, and this may be the most decisive factor, the governments of
Latin America, unlike that of France, are subject to pressure from foreign interests which in many cases control both the means of production and natural resources. These interests also exert considerable influence on external trade and the sources of external financing.

The two examples discussed above can be considered as extreme examples of attempts to apply national planning to a market economy.

We have noted the exceptionally favourable circumstances in both cases and how, in the last analysis, success was very directly related to the assumptions of both models. This means that we must be cautious in generalizing about the possibilities of developing any level of national planning in a market economy. Nevertheless, if we admit the possibility, and leave aside such considerations as the regressive distribution of income implicit in the model, and its lack of efficiency and flexibility in terms of structural change, we can examine how far the Latin American economies can meet the following basic requirements:

1. Widespread acceptance of the need for national planning;
2. Substantial State participation in and control of economic activity, including productive investment;
3. A dominant national bourgeoisie, with control of natural resources;
4. Ability to finance development from domestic sources, or if that is lacking, outside sources of financing independent of political pressures.

As can be seen, these requirements, which can be considered as prerequisites for any solution involving reform in which national planning can come to play an active part in the direction of the economy, are far from being present in any one of the countries of Latin America.

Unless these requirements are met it is virtually impossible for governments to begin independent action on any substantial scale.

For example, a government wishing to exploit one of its natural resources — say oil — as a source of foreign exchange with which to develop other sectors of the economy will find it very difficult, if not impossible, to obtain external financing, if it happens — as it generally seems to — that one of the great international oil monopolies is interested in the oil.

It is interesting to see how these factors, and many others, have in practice impeded attempts to introduce what we may call planning “from the top down”.

The first thing that strikes one is the consistent lack of any link between planning and actual economic processes. This lack of contact with reality is evident, from the following:

(a) There is no specific policy of making the private sector participate in the work on the plan or its projections, much less in its implementation; no use is made even of credit, trade or tax policy measures. The capitalists are only interested in planning for the over-all view that it provides, especially with respect to public expenditure.

This obviously, is in line with the operating assumptions of a market economy. There will be co-operation with entrepreneurial groups only when, for very special reasons, the interests of the capitalist coincide with the changes proposed in the plan. In all other circumstances, any attempt to control the
actions of entrepreneurs, irrespective of the measures used, produces keen resentment and the usual political pressures. Consequently, capitalist economic activity as a whole tends to remain a private reserve which excludes planning. This is the first hurdle that anyone wishing to plan a market economy must overcome since, even if what ECLA says is true — i.e., that there is a "margin of potential support which has not been mobilized" — the important question still remains. Once this margin of good will which national and foreign capital may evince towards planning is exhausted, will it have been enough to raise the Latin American economies out of their stagnation and backwardness?

It is obvious that a little more is needed than the good will of those who are certainly going to be affected by the changes in the status quo that are required.

(b) There are no operational or annual plans. It has been pointed out that the plans formulated basically consist of long-term projections which, even if they are "based on an improvement — sometimes substantial — in previous trends... often do not specify the ways and means that will lead to the results sought". Attention has also been drawn to the lack of effective machinery for the periodic revision of plans and for the supervision and evaluation of their practical application.

Here, once again, we run the risk of putting the cart before the horse in our search for solutions. Before discussing the need to formulate annual or operational plans we must consider what is required for such operational plans to achieve a given objective.

Operational plans, which are the fundamental link between planning and what happens in the economic sphere, do not exist, not just because the technical conditions for their preparation are absent, but simply because there is no authoritative machinery that planners can employ to make their plans effective.

It is futile to formulate an operational plan that does not really direct the activity of those who must implement it and if no authority exists to rectify whatever errors have appeared.

We have already discussed at length the root causes of this lack of contact in the private sector. In the government sector, the most recurrent negative factors have been the opposition of vested interests within state administrative structures, and the personal and political stresses to which the administration is subject.

This whole picture of frustrated planning is the inevitable consequence of the extreme narrowness of its effective field of action. However, there are factors that make the situation even more serious. These include lack of information, both because of the inadequate preparation of statistical machinery and because of the amount of information, withheld by private interests for fiscal and competitive reasons; lack of a well-defined development policy, which is at the mercy of political hazards and the requirements of international monetary organizations; and lastly, scarcity of state funds to finance the various projects.

4 "Planning in Latin America" (E/CN.12/12, p. 19.
5 Ibid., p. 22.
However, the weaknesses of the planning model for Latin America advocated by ECLA are shown even more strikingly when we look at the sheer size of the problems that have to be solved before the economies of the region can be placed fairly and squarely on the road to development. It is enough to mention the tremendously regressive distribution of income and its unfavourable effect on the size of the market, and the limitations of foreign trade, together with the constant deterioration in the terms of trade, and the recent reverse swing in the balance-of-payments capital account.

Given the persistency of these trends and the magnitude of the structural imbalances that they have produced, solutions based on over-all programming — which might have been thought bold twenty years ago and now seem worse than timid — are merely illusory.

Planning is not some kind of entelechy whose deficiencies are obvious. Planning is an instrument for transforming the economy and the form it takes will depend upon the changes that have to be made. We would submit that what this Seminar should discuss is the kind of planning that really proffers solutions, and not planning schemes that are doomed from the outset to be nothing more than palliatives.

The exploited peoples of Latin America, who are suffering from the deficiencies and failures of planning which are to be analysed at this Seminar, are already realizing what the real solution is and are taking appropriate action. The results of this Seminar should lead to a clear identification of the obstacles to Latin American development and assist in laying the foundations for the work to be done in due course by the Economic Commission for Latin America.

In the following pages Cuba places its experience in this field at the disposal of the participants in the Seminar. The achievements of the Cuban planning organization under exceptionally difficult conditions because of the brutal pressures of every kind exerted by the Government of the United States, are a vindication of the position so often adopted by Cuba. This introduction frankly sets out that position in which stress is laid on the importance and effectiveness of far-reaching structural change as the first step towards initiating an accelerated development process on really objective foundations.

B. GENERAL ASPECTS OF PLANNING IN CUBA

1. The organization of the economy

In order to describe the organization of an economy, it is not enough to give an account of its structure and of the modus operandi of the different economic bodies. What must be done is to identify the actual conditions that materialize and develop within that organizational framework. The most characteristic feature of Cuba's economic organization is therefore the nature of its institutions and its mode of work, which originated in the revolutionary changes that have taken place since 1959.

During this lapse of time, which marks the stage during which the nation laid the foundations of its political freedom, and, with it, of a true and lasting process of economic growth, there have been no radical changes in the
productive structure of the Cuban economy, which remains largely dependent on the sugar industry and foreign trade. However, as a result of the measures taken by the revolutionary government, the people have taken over virtually all the means of production, and the organization of economic activity no longer follows the dictates of a capitalist market and the system of management that such a market entails.

Responsibility for the management of the economy has now been taken over by the nation as a whole, and it is the business of the State to discharge that responsibility establishing the necessary machinery and organizational framework for the nation’s economic life. The importance and role of planning, as explained in this document, spring from these concepts, which also govern the kind of administrative institutions through which the State exercises its economic functions.

Cuba’s system of planning is based on the fact that the economic tasks established in the Plan are mandatory, and must therefore have a specific and readily identifiable location within the over-all body of economic institutions. In other words, each task and the resources needed to carry it out are allotted to a central institution, enterprise or production unit, all of which are clearly defined within the organic structure.

In this sense, the administrative organization of the Cuban economy is founded on a pre-classification of activities by their technico-economic features, in accordance with the economic nature of the tasks to be undertaken. The whole body of activities is thus primarily divided into economic sectors and branches of production or services, each with reasonably homogeneous technological processes, material inputs and finished products.

In order to give this work its due importance, sectoral organs (ministries or institutes) comprising groups of enterprises have been set up and made responsible for the basic activities of each branch and its respective sub-branches. Their task is to plan, direct and administer the activities of the different units or plants that produce a given type of commodity or service.

In the industrial sector, for instance, there are now five Ministries – for Basic Industry, Mining and Metallurgy, Light Industry, the Food Industry and the Sugar Industry – which cover the bulk of the country’s industrial production. There are also other ministries concerned with industrial production, but only as a secondary line of activity. A case in point is the Ministry of Construction, which administers the plants that manufacture building materials, and thus unifies the production, supply and consumption of building materials under the management of one body responsible for the bulk of construction materials in the country.

This demonstrates how important it is for the economy of a country to be organized in a sufficiently flexible way to be adaptable to the demands of a more efficient form of management covering all phases of economic activity, starting with planning itself.

As far as planning is concerned, the main administrative difficulty is that the techniques of planning are applied in individual economic sectors and branches, regardless of their organizational set-up, which does not always coincide with the areas covered by those sectors. For instance, if a department of industry is set up within the top planning office to plan industrial activities as a whole, and to
study the sector’s situation and development and its proportional relationships to the other sectors, this type of work, which deals with industry in the abstract, is apt to conflict with the allocation of tasks and resources to the bodies whose basic activity is industrial production. Consequently, it is essential for those bodies to keep a close watch on events, and in the management of activities of the sector as such, constant co-ordination should be maintained with the other departments and bodies engaged to some extent in industrial production.

Cuba’s experience has shown that a dynamic method of work which maintains close ties between the planning organs and manufacturing enterprises can sweep away many of these difficulties by providing a means of analysing industrial trends and of making sound plans for the activities of the central bodies and the enterprises coming under them.

The structural organization of the Cuban economy has three clearly defined levels. At the top, there are the over-all economic bodies which are mainly engaged in planning and supervising production and services, and have no direct executive responsibilities. This is the level of the Central Planning Board (JUCEPLAN), the Banco Nacional de Cuba and the Ministry of Labour. The second level, which is closely associated with the substance of the different activities, is composed of the sectoral economic bodies, also known as central bodies, which not only act as a link in the central planning system but also have direct administrative responsibility for the activities of the enterprises.

Services institutions and government departments which are connected with the national economic process through the provision of social services that are not a direct part of the actual process of production also have the status of a central body.

Examples of the former are the National Land Reform Institute, National Fisheries Institute, the five Ministries for the industrial sector, the Ministry of Transport and the Ministry of Construction, while the latter are represented, among others, by the Ministry of Education and the Ministry of Public Health.

The third level consists of State enterprises responsible to the relevant ministries. These form the bottom rung of the planning ladder, and are responsible for the physical implementation of the production process through their different production units. At the level of each of these units, whether they are farms or plants, specific plans for production, supplies, financing, etc., are put into effect, and the work of supervision and primary record-keeping is carried on.

Parallel to this vertical system of organization highly flexible structures known as Special Plans have been successfully established. Under these Plans, it is possible for certain tasks to be graded by order of importance so that the highest planning office itself can devote attention to them, and a number of concurrent problems can be handled by one organ, and also help to develop productive activities in which local factors such as land, communications and

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6 In the system of national accounts used in Cuba, economic activities are divided into two categories: material and services. The main macro-economic indicators - national income, gross product, productivity, etc. - are measured in the first category only. This system is currently undergoing revision.
socio-ecological aspects; technical assistance; and the urgency of the work to be done, etc., are decisive.

Regional economic bodies are being set up in those areas in which closer co-ordination of all the regional factors is required because of the rapid expansion of industry or agriculture. There are, for instance, co-ordinating centres for the development of Nuevitas and the northern part of Oriente, the Island of Pinos, and of Cienfuegos which are all concerned essentially with the co-ordination of area plans and programmes and with the promotion and more effective use of the areas' natural and human resources.

2. Planning organs: their functions and the preparation of the annual plan

The Central Planning Board (JUCEPLAN) is the topmost point of the organizational pyramid, and is responsible for preparing the National Economic Plan. Consequently, it is useful to see the steps by which it sets about this. The work of formulating the plan which is to govern the coming year is begun early in January on the basis of government directives, prospective development programmes and the real trends of the economy during the year. The first stage is mainly devoted to estimating the main economic receipts and expenditures so as to relate tasks to resources and to work out the division of the gross product between capital formation on the one hand and personal and social consumption on the other.

In addition to a study of the main bottlenecks in the economy, such as exports and imports, agricultural production, domestic industrial production and building capacity, a separate analysis is made of the targets for the utilization of what are termed "basic" goods, that is, the most essential items of supply, which will ultimately be the principal source of information for calculating the material balances for the sources and uses of goods.

The high-priority tasks are already singled out during the opening phase in the preparation of the plan, and are allotted the major share of the country's local and imported resources. Mobilization of the latter is assured by the fact that they are sought in countries with which Cuba has trade agreements that guarantee the provision of the necessary supplies.

By calculating over-all import availabilities in the light of the capacity to export and external financing possibilities, JUCEPLAN is able to determine the general level of activity, and to specify the products required for the major tasks, and the countries where they can be obtained.

These preliminary estimates are made in close co-operation with the Ministry of Foreign Trade, and the central bodies and the enterprises also take part by determining the material imports needed to execute the major and other tasks.

The first steps are also taken towards balancing the consumer goods fund by equating the domestic supply of such goods with the inputs available, fixing

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7 The explanation is given in greater detail in the sections on over-all and sectoral planning.
minimum import levels and making the first provisional allocations to the State organs through which social consumption takes place.

This initial stage in the process of planning is not wholly confined to the formulation of the more general macro-economic balances that give a synoptic picture of economic trends. During that time calculations are also made of the material factors and resources required to carry out production directives, the investment requirements for the continuation of current work, for the expansion of capacity in order to ensure that the directives can be carried out, and for the volume of consumer goods needed for a reasonable rise in living levels during the period covered by the plan.

Although the accent in these preliminary figures is laid on defining the targets and proportions of the different activities, usually on the basis of sectoral aggregates, they have already been sufficiently broken down to make for easy comparison with the so-called “control estimates” or “control figures”.

JUCEPLAN then provides the central bodies with the control estimates, which consist of a set of indicators establishing the parameters for their activities. They form the first version of the Plan, and are designed to achieve a certain level of efficiency in the economic activities of the bodies concerned by specifying the basic volume of work to be done and the maximum amount of resources that can be used.

The control estimates, in fact, embody the parameters for the production of primary and selected commodities, stocks, supplies, investment and financing, and most of them represent minimum directives.

In this way, it is made certain that the central bodies will gear their activities to well-planned programmes with production targets that have been clearly defined in terms of quantity, range, quality and delivery dates; that supply requirements have been accurately estimated and can be satisfied; that excessive stocks will not accumulate; that the investment requests have been well documented, and are assured of equipment and building capacity; that the standards for material consumption are improved and that maximum levels of output are reached, and that import substitution is achieved in areas of currency shortage.

Without going into too much detail regarding the key products handled administratively by the planning centre, since these number no more than two hundred (including technical and non-technical equipment), JUCEPLAN is steadily increasing its analysis and control at all stages of plan formulation in the Cuban planning system.

After receiving the control estimates, the central bodies and enterprises work on them and present any inconsistencies they may find, particularly between the figures and the allocations of resources. These inconsistencies may cause JUCEPLAN to revise the allocations, bringing tasks more into line with resources, and once tasks have been balanced against resources, a second version is issued, known as the “directive estimates or figures”. After further minor amendments and adjustments, the final directive estimates are presented to the Government in a definitive plan at the close of the year, and they come into force on 1 January.

JUCEPLAN’s functions are not confined to preparation of the National Economic Plan. The adjustment of the allocations as the Plan proceeds through
the system of material balances means that JUCEPLAN plays a decisive part in organizing the flow of supplies during execution of the Plan. This involves the balancing and delivery of supplies of primary products, and control of the use of those resources and, consequently, of the trend of the activity for which they are inputs.

It is useful now to analyse the part played by the ministries and central economic institutes and enterprises in the whole planning process described above.

During the first stage of preparation of the Plan and concurrently with the contacts established with JUCEPLAN, the central bodies in conjunction with their enterprises carry out a series of tasks which permit a rapid breakdown of the control figures. These tasks include bringing capacity estimates up to date, determining needs in terms of spare parts and maintenance, reviewing consumption indexes, preparing documents for the evaluation of new investments, determining the technical specifications of imported inputs and establishing relations with national supplier and foreign trade enterprises.

Once the control figures are received by the central bodies, the second stage of plan formulation begins. First, the projects contained in the various plans are grouped in economic categories, while supply contracts are drawn up between suppliers and consumers. These activities are conducted primarily at the enterprise level, in close co-ordination with the central body.

Subsequently the contracts are presented, discussed and signed with a view to determining the material possibilities of executing the programmed activities. After the situation with regard to national production and imports has been clarified, it is possible to note the difficulties which will arise if the resources are insufficient for the tasks, and these inconsistencies are presented to JUCEPLAN.

The central bodies and the enterprises grouped under them prepare a report on whether the resources are compatible with the tasks, on economic efficiency and on the results of supply contracts, which is practically a provisional draft plan.

All this leads up to the removal of the inconsistencies, after which comes the stage in which the annual plan is given its final form. This is when the adjustments deriving from the analyses are incorporated, the investment programme is defined, and the directive estimates are issued.

On that basis, the enterprises prepare their operational plans which are shorter in term and require a breakdown of the annual targets according to the availability of the factors of production at the time.

3. Questions relating to the supervisory functions of the different bodies in connexion with the annual plan

It is very important to establish a system of control of plan implementation which will ensure compliance with the allotted tasks, providing for any discrepancies which may arise and the adoption of corrective measures.

In Cuba, the introduction of a systematic control of plans has been one of the most difficult tasks in the development of planning. At the outset, plan control and knowledge of the behaviour of the economy was fragmentary and disorganized in more ways than one.
With experience, however, it has become possible to develop a whole scheme of financial control, exercised by the Banco Nacional de Cuba and based on an analysis of the accounts, and gradually to organize a system of physical controls over production and distribution which will gradually assume the predominant role in the control of these processes because of its richer economic content.

The control of plan implementation is the responsibility of all those who are concerned with economic planning and administration, and it is exercised at different levels and by different procedures. The control exercised by JUCEPLAN covers the following aspects:

(a) Allocation and control of stocks of products of key importance for the economy;
(b) Knowledge and control of food supplies for the population;
(c) Analysis and control of the progress made in domestic investment;
(d) Accurate knowledge and control of the behaviour of the balance of payments, particularly in relation to freely convertible currency, and authorization of the actual transactions in this currency;
(e) Analysis of the behaviour of a group of over-all financial indicators: variations in the money in circulation, variations in savings accounts, total cash outflows, movement of the wage fund according to the money in circulation, and the behaviour of the central bodies and enterprises, the budget surpluses or deficits, etc.;
(f) Analysis of the evolution of the basic activities of central bodies and approval of the modifications which lead to a change in the directive figures.

Generally speaking, these controls are applied at a higher level of aggregation than those exercised by the central bodies and enterprises, where the operational control over the various processes, both of production and of distribution, is an inherent part of the daily tasks.

The internal control of the central bodies is usually structured according to the categories of the plan: production, investment, supplies, labour and wages, etc., and is exercised in specific areas — fuel consumption, planned preventive maintenance, etc. — and over the indicators of the efficiency of the management which have served as parameters for the establishment of the level of resources allocated.

The methodological instruments — indexes, indicators and balances — used in formulating the plan are also the basis of the control system at all levels. These instruments include:

(a) Production indexes in physical units;
(b) Aggregate production indexes, in terms of value;
(c) Productivity and manpower indicators;
(d) Physical and monetary indexes for changes in stocks and other means of production that are depleted and have to be renewed;
(e) Indicators of production costs and their components;
(f) Indicators of investment expenditure and its components;
(g) Indicators of consumption and level of living;
(h) Over-all, financial and material balances.

The continuity of control analyses is, in turn, adapted to the requirements arising from the administration of the processes involved. If the construction
plan is taken as an example, it will be seen that at the level of the regional construction enterprise a periodic reading is made, at frequent intervals, of each of the indicators of its activities, thanks to which an almost daily check can be kept on its development.

The higher the level in the organizational pyramid, the greater the degree of aggregation in the control period and in the content of the various indicators. Thus, JUCEPLAN checks the financial indicators and the physical progress of projects in the region at two-monthly intervals.

In all planning tasks, particularly those relating to plan control, the agencies of the Cuban Communist Party play an important role. An organization which is closely concerned with daily economic problems and which embraces the development of these activities at all levels, can contribute vital additional elements for the Plan's evaluation. For example, the detailed specification of places and projects and the regionalization of such a vital plan as the construction plan involves the preparation and compatibilization of manpower balances, at specific levels, so as to make sure that the volume of work planned can be carried out. Discussion and evaluation of these balances with the Party reveals inconsistencies, facilitates the rapid mobilization of local reserves of all kinds, and increases, sometimes considerably, the possibilities of tackling a given branch of economic activity.

4. Relations between State economic enterprises and the system of management

In the general context of planning in Cuba, the system for the management of enterprises that has been established occupies a very important place. Clearly, in preparing plans, the planners cannot go too deeply into the way in which the enterprises are managed during the execution of the tasks envisaged in the plan. Nevertheless, the system for the management of enterprises applied in Cuba is based on a certain conception of the relations between the State economic bodies which also influences the procedure for preparing plans and is decisive in establishing control mechanisms at all levels.

Because the community owns the means of production in Cuba, sales and purchases between State enterprises become part of a flow of products from one stage to another until the products become finished goods and pass into the sphere of commerce, either for individual domestic consumption or as items of foreign trade. This limits the function of money as a means of payment; it is used merely to measure value and, in the government sector, as an element of homogeneous arithmetical calculation for analytical and comparative purposes.

In view of the importance attributed to the physical aspects of the economic process and the desirability of eliminating unnecessary management procedures in the interests of greater efficiency in the activity concerned, there are no taxes in the State productive system, no credit instruments and no money collections and payments, the latter being transformed into a simple administrative act of book-keeping, when they become compensating entries for purposes of bank control.

Under this system, the principle of commercial returns or profits is purely formal, and is retained only as an element in the price, without resulting in a
source of saving at the entrepreneurial level, since enterprises have no resources of their own, legally separate from the State Budget, and their net income after deduction of the expenditure on their activities is paid into the State Treasury.

Where the State sells its products in commercial transaction involving change of ownership, the State enterprise transfers to the Budget, through the payment received, all the costs and all the surpluses that have been generated from the first to the last productive act.

The national budget is the State enterprises' only source of monetary resources, which are made available to them by deposits made at the branches of the Banco Nacional de Cuba, in accordance with a financial plan which sets out the expenditure envisaged for the economic activity concerned, classified by type of expenditure.

The most important function of the whole financial mechanism involved in the movement of material goods as a homogeneous expression of the creation and circulation of things having value is to serve as an element of economic aggregation and a basis for the control and analysis of the activity.

As procedures for checking economic activities become more efficient and adequate procedures for physical control at all levels are developed, the whole scaffolding of financial categories will gradually lose its raison d'être and disappear as the mainstay of economic control. This line was adopted in Cuba some time ago and is already showing encouraging results, such as the drastic reduction in the administrative apparatus required for the organization and control of the community's production.

5. Experience in organizing plan implementation and regional planning

One of the most interesting features of Cuban planning is, in practice, the efforts made to integrate the elements of sectoral planning organically with regional factors which decisively influence specific plans, such as investment plans.

According to Cuban practice, the agencies responsible for the activity whose capacity is increased through new investment manage the investment throughout the execution of the investment plan. In this way, after JUCEPLAN has established the investment scheme to be followed by the "investors", according to the sectoral distribution of the savings and investment fund, the investors prepare the preliminary documents and present the justification for the new projects. Once approved by JUCEPLAN, these projects are included in the directive estimates and national and/or foreign teams are engaged, while the technical projects and the volume of civil construction to be executed the following year are determined, generally by the Ministry of Construction, as the specialized mechanism in this branch of activity.

In some rapidly developing areas such as Nuevitas and Cienfuegos, the concentration of investment in a single area over the same period has given rise to problems of co-ordination, which are not due only to the fact that each agency is responsible for its own investments.

On the one hand, as the financial allocations envisaged in each agency's investment plan for projects in the area are independent of one another, the
total may be so large as to exceed the real capacity of the Ministry of Construction in the area, since this capacity depends to a certain extent on local factors which are in limited supply, e.g., manpower and some basic materials.

On the other hand — and this is vital — nearly all the investments in the area are very closely linked, in the sense that some are virtually induced by other investments. For instance, the opening of the cement and fertilizer plants in Nuevitas presupposes the completion of the thermoelectric plant, and this plan in turn needs port works and transmission lines. Similarly, unless socio-environmental works, housing, transport facilities, etc., are provided, industrial plants cannot operate.

With the object of programming the execution of all these works, and taking into account their interdependence, in Nuevitas an experimental method known as the critical path method has been adopted, whereby each project and its basic stages are broken down into a network model.

This model is an integrated scheme for all the investments made in the area, and in turn comprises a partial network model for each project.

These up-to-date programming techniques are a valuable help in planning, and they make it possible:

(a) To obtain a more accurate picture of the interdependence of the various investments and to programme the work accordingly;

(b) Once the degree of interdependence and the duration of the stages and projects have been ascertained, to allocate resources under the plan in such a way that the fact that the induced investments have not been completed does not hold up the implementation of investment projects;

(c) To obtain a more accurate basis for determining the effects of departures from the plan on the whole complex of industrial development.

Implementation of investment plans, control and correction of departures from these plans and preparation of data for drawing them up are beginning to be an integrated task of the regional and sectoral agencies which is having highly positive results.

The efforts towards systematic integration of economic activities at the sectoral level with the physical and regional elements which serve as their specific framework and provide the necessary factors for their execution do not end with the co-ordination referred to above.

For years Cuba has been developing a broad working front, which is closely linked, *inter alia*, with the study and planning of community development, the evaluation of resources such as water, road transport facilities, population distribution, etc., and with the micro-allocation of all investment in agriculture, services and industry in terms of these resources. Regional planning has therefore emerged as a necessary complement of the central planning of economic activities. Any analysis of Cuba’s experience in this field should take into consideration two areas in which regional planning displays its own characteristics:

The National Physical Planning Institute, whose initial functions were centred on the preparation of directive plans for urban development in rapidly expanding areas and on the location of new investment, was established at the same time as Cuba’s Communist Party was being organized in all parts of the
country. This circumstance - on the one hand the creation of a national organ for planning regional development and, on the other, the emergence of an organic structure for the Party, with clearly-defined characteristics determined by conditions in each region - gave a new slant to the country's politico-administrative division. It was therefore necessary to undertake studies for a new territorial division, based, among other things, on modifications of the agrarian structure and on a more rational system for the economic administration of concurrent activities in the regions.

As a result of this process, and without necessarily awaiting the completion of the work associated with the new politico-administrative division, the organs of the local authorities were entirely restructured, and they came to be responsible for planning and executing all the tasks and activities which are significant, above all, to the community, under the guidance and direction of the Cuban Communist Party.

The regional administrations replaced the old municipal governments and became institutions which really served the community. They are concerned essentially with planning and executing projects for the development of minor services (local shops, repairs, public services, etc.), local construction, beautification and street cleaning, etc.

How far the regional administration can act independently of the National Economic Plan in the planning and execution of these activities depends on the importance of the activities, tasks of importance only to the regional community which are carried out with local resources come under the jurisdiction of the regional administrations.

As shown earlier in this study, the co-ordinating centres must be located within this sphere of regional activity, although the differences between them and the organs of the local authorities should be noted. Mention should also be made of the dynamic role played by the regional departments of the ministries and central bodies in relation to the implementation and control of national economic plans at the regional level. Another aspect of regional planning in Cuba is the development of the National Physical Planning Institute's own functions.

The enormous importance attaching to the study of the physical resources in the various regions stems from the need for optimum allocation of the new investment provided for in the national sectoral plans. In this way, the compatibility of the various plans with each other is assured, through a knowledge of their physical requirements, on the one hand, and the availability of resources to meet these requirements in the various areas where the plans are executed, on the other.

Thus, a previous document\(^8\) shows how these regional studies have helped to make the various sectoral development programmes compatible with one another. An example of this is the way in which the compatibility of agricultural and industrial plans for the development of Cuba's sugar production was assured. Thanks to an analysis of the areas planted with sugar-cane, and of the road networks and different systems of transport to plants and storage facilities, it has been possible to make a more rational demarcation of the areas which must feed

\(^8\) *Notas sobre la planificación económica y la experiencia de Cuba*, information document submitted to the twelfth session of ECLA (Caracas, May 1967).
each sugar mill. The tax structure inherited from capitalism involved excessively long hails, but these are now quite unnecessary since the mills belong to the people and it is feasible to reorganize the economic space so that each mill is integrated with the surrounding crop-growing area.

The various systems of transport to mills and ports have also been organized along more rational lines, and the best possible areas for expanding industrial capacity and for locating hundreds of centres where the cane is first processed — cut, and stripped — before being sent to the mill have been determined.

These are a few examples of regional planning activities in Cuba, although it should be pointed out that regional criteria must be still further developed in order to incorporate them systematically into all phases of the central planning process.

C. OVER-ALL PLANNING AND PLAN FORMULATION

1. The role of over-all planning

In the relatively short space of time during which Cuba has been planning its economy both planning concepts and planning methods have continually changed. The progress of the Revolution itself has affected the various stages of planning since, as ownership of the means of production has gradually changed hands, it has become more and more important for there to be central planning of the economy as a whole so that the country's resources can be allocated as rationally and effectively as possible in line with Cuba's development goals.

Planning methods have also been affected by the existence of an appropriate statistical and information system and by the availability of trained and experienced planners at the different levels.

Cuba's first experience with over-all economic planning was acquired "from the bottom up", i.e., beginning with the formulation of what were called "pre-plans" at the ground level, setting forth the anticipated annual activity for each State enterprise.

These pre-plans were then sent to JUCEPLAN, the agency directing the economy, and to the other agencies with over-all responsibilities which existed at the time, but top-level planning was confined to co-ordination and compatibilization of the projects received. This was done, in the first instance, by the sectoral planning units — according to the criteria for grouping projects by economic sector — and the projects were then amalgamated by the over-all planning units in accordance with the economic categories common to all plans.

It was not possible, of course, to adjust the resulting plan as appropriate, and it was quite impossible in practice to balance tasks against resources.

From this initial experience sprang the concept of integral planning "from the top down and from the bottom up". Over-all planning then ceases to be merely a mechanism for reconciling one plan with another and becomes the actual centre of the whole process of plan formulation, defining the limits and the scope of the plan from first to last. Thus, the two stages of plan formulation — one moving from the planning centre (JUCEPLAN) to the ground level (production units) and the other moving from the ground level back to the
planning centre – have the following features: the first stage comprises the politico-economic directives laid down by the Government and the formulation of the over-all development model and its derivatives, i.e., the control estimates; the second stage comprises all the final work of compatibilization and adjustment of discrepancies leading up to the publication of the directive estimates for the plan.

Within this general scheme, the task of over-all planning ranges from defining the basic factors which limit development to co-ordinating and compatibilizing the plan’s targets with the resources available. The former of these activities consists of determining such macro-economic variables as the total social product, the gross social product, the level and structure of the consumption fund and the capital accumulation fund, the volume of external trade, the wages fund, etc., which will form the framework for the remainder of work on the plan; the second basic task is carried out through the national balances and material balances established centrally by JUCEPLAN.

2. The politico-economic directives

The politico-economic directives for development constitute the point of departure for plan formulation. They cover, in a very general way, all the basic tasks to be undertaken during the plan period and cover economic management at the national level, i.e., the main levels of production in the commodities sector, the main activities of the services sector, level-of-living indicators and basic investment.

The first economic plans drawn up in Cuba were not based on precise development directives owing to the very dynamism of the Revolution, which was consolidating its position and moving rapidly towards control of the basic means of production, which were still in private hands.

Later, proposals were submitted to the Minister of Economy by the over-all planning units of JUCEPLAN containing a series of development alternatives based on a review of the economy, its problems and possible solutions.

These proposals were worked out jointly by all the planning units (both sectoral and over-all) of JUCEPLAN in co-operation with the over-all planning bodies, the central bodies and the major enterprises. On the basis of these proposals and the studies which they reflected, the politico-economic directives were subsequently formulated, and, after being expanded and or modified in the light of review and discussion, they were approved by the Government as the basic framework for the annual plan.

With the progress achieved in establishing an appropriate statistical service, with the growing numbers of technical cadres in the various spheres of economic activity, and with greater and deeper knowledge of Cuba’s problems, it became possible to work out a medium-term development strategy. The strategy, formulated by the Government includes objectives which look as far ahead as the nineteen-seventies, with priorities for complete sectors, mainly for agricultural development, as this is the fundamental variable which determines economic growth in the medium term.

This new situation marks the beginning of the present stage of planning in Cuba, and it means that more flexible and dynamic methods are required now
that it is necessary to formulate and control annual plans which are highly disparate, both in their objectives and in the allocation of resources for their implementation.

In this case, as the targets have already been established, there is no need for the stage in plan formulation described above when directives are established, so that it is possible to make a more exhaustive analysis of problems and to concentrate more on locating and exploiting the country's immense potential resources.

It must be said that in Cuba today national economic planning is a real instrument for directing the economy since, *inter alia*, it provides an over-all view from the outset and at the highest level of the more general aspects of development and also of the details which are vitally important for the achievement of development targets.

3. The over-all model and national balances

The over-all model is simply a restatement of the directives in terms of specific targets for goods and services, reconciling the targets with the resources available during the plan period at a high level of aggregation.

We should point out that there are special studies, which we may term "support studies," which support and supplement the directives and thus form part of the machinery used to construct the over-all model. They are individual development studies, using the most up-to-date planning techniques, of a product, or a branch, or a complete economic sector, or of the specific problems of some or all aspects of a given economic category. They include a study of the long-term development of laterite production in analysis and projections of Cuba's refrigeration potential, a study of future fertilizer requirements and national production, a study of sugar production prospects, studies on export efficiency etc.

We must stress the role these studies play in the construction of the over-all model: they are the link between over-all planning and sectoral planning, and not only stem from the development directives or arise during the formulation of the model, but also serve as a basis for its formulation.

All this leads to a systematic interchange of information and views between both planning levels as the model proceeds through its various stages.

The model establishes the framework within which plan formulation may proceed, setting maxima for resources and minima for tasks. To construct the model it is necessary to draw up such national balances as the total social product balance, the balance of payments, the total and skilled manpower

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9 It is well known that the system of balances is merely a system of social accounting applied to centrally planned economies which covers the planning of the physical and material aspects of the national economy. It can be used in the same manner at all levels of planning (over-all, sectoral, regional, etc.) although the specific instruments may vary. Obviously, a social product balance cannot be used in planning the industrial sector, although its basic principles are applied to determine what proportions of the sector the various branches represent and to ensure consistency between them. The material balances are the first rung of the ladder to all the other national economic balances.
balance, the income and expenditure balance of the population, etc., which implicitly involves establishing the basic proportions of the economy.

Construction of the model involves a series of parallel and consecutive stages which cut across each other, coincide or are separate, depending upon their final objective.

To ensure a high level of consistency in the model, the compatibility of tasks and resources is tested, wholly or in part, at each successive stage by two kinds of checks: a general check which verifies and adjusts the value added; and another — a particularly important one — which involves the preparation of material balances by types of products, in physical terms.

The first kind of check, for example, may be a comparison of the total imported resources required by the industrial sector with the total of such resources available for this purpose, or a comparison of investment capacity with the investment required for the kind of development planned, so as to ensure their compatibility.

The second check for consistency involves drawing up a balance of the various sources of supply of a given product (national production, imports, and existing stocks) and of its various uses (intermediate and final demand). At the highest planning level, these balances are drawn up for products designated as "basic", which are selected because of their economic and/or strategic importance and are centrally controlled by JUCEPLAN. Because of the substantial weight of the products in this administrative category compared with others, the compatibility and consistency of the plan in all its details are thus assured, so that this is a supplementary check to the first one.

As Cuba has an open economy, the construction of the over-all model\(^{10}\) begins with a projection of exportable products and their distribution by currency areas and by countries. In the latter case, the projection is made in the light of Cuba's commitments to the countries with which it has trade agreements.

On the basis of this distribution and of the export picture, a projection is made of the balance of payments, showing import capacity by areas and countries, and then broken down by economic use into intermediate goods, goods for personal consumption, goods for social consumption, and basic investment. There is also a further breakdown of intermediate goods by economic sectors.

On the basis of the directives, and parallel with the procedure just described, the levels of economic activity, level of living and demand for investment (both direct and induced) implicit in the directives are determined and then compared with the resources available.

The next operation is to draw up the manpower balance and subsequently to calculate the requirements in imported intermediate goods for the proposed levels of activity. Here two comparisons are required: first, a comparison of the availability of imported intermediate goods with the demand for them, and, secondly, a comparison of the available manpower with the demand for labour, after which gross production by economic sectors is calculated in terms of the scarcest resource. These figures are then used to calculate the total social

\(^{10}\) See diagram, page 136.
product generated by the sectors of material production, from which the variables of material consumption and the changes in stocks are deducted. Subsequently simple addition will give the gross product generated by these sectors.

It is then necessary to determine investment capacity in order to reconcile it with the volume of investment required by the directives. From this the requirements for imported inputs can be calculated, and after in conjunction with the reconciliation described above, total gross investment is arrived at.

Subsequently the demand for imported consumer goods to be expected from the level of living which has been taken as a target is calculated on the basis of the figures for gross production. When this calculation has been adjusted in the light of the amounts of goods for personal or social consumption which it will be possible to import one obtains the figure for the consumption fund which, together with the gross social product, will help to establish the macro-economic financial balance through the balance of income and expenditure of the population.

Lastly, it is necessary to make separate calculation of the changes in stocks. After the result has been reconciled with the estimate of this variable on the basis of supply, it is aggregated with gross investment, and this gives the figure for the accumulation fund.

The consumption fund plus the accumulation fund gives the available gross product, which, when taken together with the figures for the volume of external trade, gives the gross product on the basis of final use.

The reconciliation of the two figures for this aggregate is the last stage in the construction of the over-all model, the main indicators of which may be summarized as follows:

(a) Levels of total production and activity for the principal products and services, in quantitative terms;
(b) Levels of gross production by economic sectors, in terms of value;
(c) Volumes of imported intermediate and consumer goods, by economic sector;
(d) Volumes of gross investment by components – equipment, construction and assembly – and by economic sector;
(e) Quantities of the principal import products required to meet the development targets set.

This first stage is the fundamental step in the planning process and the final results of the plan will depend upon the quality of the over-all model.

Once the model is completed, the role of over-all planning basically consists in controlling the subsequent stages of plan formulation which must evolve within the framework established in the model. Over-all planning also steps in when situations or programmes at lower planning levels significantly alter any of the basic proportions already established.

Over-all planning resumes its active role during the last stage of plan formulation when it is necessary to co-ordinate and reconcile all the parts of the plan which have been improved at each of the different planning levels. After the results have been summarized, they become the directive estimates.
Diagram for Formulation of the Over-all Model

- Support Studies
- Politico-Economic Directives
- Plan Control

- Levels of Activity
- Level of Living
  - Manpower Balance
  - Demand for Imported Intermediate Goods
  - Gross Output, by Economic Sector
  - Total Social Product
  - Material Consumption

- Demand for Imported Consumer Goods

- Expenditure and Income Balance for the Population

- Variations in the Means of Payment in Circulation

- Gross Product

- Over-all Model

- Export Projections
  - Balance-of Payments Projections
  - Import Capacity
  - Distribution of Import Capacity
    - IG, PCG, SCG, BR

- Demand for Basic Imported Resources

- Gross Investment

C Indicates partial compatibility of the factors it links.

IG Intermediate goods.
PCG Personal consumer goods.
SCG Social consumer goods.
BR Basic resources.
We described in the first part of this paper how the role of over-all planning had varied in the last two stages described. We must now give some indication of the type and scope of the changes that occurred.

Originally, the structure of the over-all model was very dependent upon the advance projection of resources, which made the first estimates extremely inflexible and automatically prevented the establishment of ambitious but attainable targets right from the initial stages of plan formulation.

Once the weakness of this approach was realized, the concept of the over-all model, and hence of over-all planning, was replaced by a more flexible concept which made it possible to structure the plan from the outset in such a way as to ensure that, throughout the process of plan formulation, the availability of resources would be determined more accurately and the best proposals for their use, i.e., the ways in which they would be used most efficiently, would be selected.

Consequently, the over-all model was viewed as an instrument that established specific ranges for future planning work during the actual formulation stage, and thus permitted a partial reconciliation of tasks and resources within specified limits. This dynamic notion of the over-all model involves drawing a distinction from the outset between the estimates of resources available and what is required to carry out the plan. This difference must be gradually eliminated during the subsequent stages of plan formulation until a balance is reached with the publication of the directive estimates.

**D. AGRICULTURAL PLANNING**

1. *General*

As with the other sectors into which the manifold activities of society are divided, planning for the agricultural sector starts with the over-all model, which, as we said earlier, provides the framework for the various stages of plan formulation.

In Cuba the agricultural sector is of special importance since it constitutes the basis for the country's medium-term development, and is pivotal in determining the structure of material production and of the services sector, i.e., the annual development of the country.

In this connexion, it must be noted that the agricultural sector is, and will be in the years to come, a sector with top priority, which means that its activities are and will be dependent on Government's explicit politico-economic directives. These directives influence both directly and indirectly a major part of all the economic activities undertaken in Cuba.

All this means that the joint efforts of the people and the Communist Party are concentrated on formulating, carrying out and supervising tasks in this sector, and we can say that this is what makes the planning of agriculture feasible, despite all the difficulties inherent in a rapidly developing economy.

Hence, the Party provides the "motive force" for agriculture in Cuba and exercises a direct and "live" control over its development.
We should also point out that, since the guidelines which make it possible to undertake this difficult task have been firmly established, progress is not hindered by the fact that the private sector owns 40 per cent of the land and employs 60 per cent of the agricultural labour force.

2. Characteristics of the sector

As is well known, the influence of natural factors is more evident in the agricultural sector than in other sectors of the economy. Since this sector is subject to the varying influences of such factors, and its progress does not therefore depend purely on human effort, the success or failure of agriculture is dependent on natural factors.

Agriculture is a seasonal activity and has different forms in different regions. Because of its physical characteristics and geographical location, Cuba's climate has only two seasons: a dry season and a rainy season.

The annual alternation of the seasons determines how the cycles of production vary and makes increases in yields - both in crops and livestock - dependent on the nature of the rainy season.

Agricultural planning has to take account of the fact that agricultural production also runs in cycles because of the growth patterns of each crop.

When incorporating the agricultural plan into the annual economic plan, since the economy is planned by the calendar year, it is necessary to include a proportional estimate of the growth cycle for crops with a crop year that does not coincide exactly with the plan period.¹¹ In livestock production the seasons are determined by the biological cycle of the animals and the growth cycle of their food crops.

Despite the foregoing, however, agriculture's dependence on natural factors is gradually being reduced through the introduction of technology. Nutrient deficiencies, declines in the productive capacity of the soil, crop diseases, and the climate, will have less and less effect on agricultural development as new methods of cultivation, the use of fertilizers, water control, mechanization, genetic management, etc., are introduced, with a consequent rise in agricultural production.

Hence, planning for the agricultural sector involves, in addition to an analysis of how efficiently the labour force, intermediate goods and basic inputs are used, a detailed study of the geographical distribution, composition and volume of natural resources.

Agricultural activity is regional in nature because of the need to grow the various types of crops and livestock in areas where the conditions for their development are the best, so as to increase production. From this it will be clear that regional planning is of great importance in agricultural production.

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¹¹ Crops are classified as seasonal or perennial depending on the length of the cycle. Seasonal crops have a growth cycle of less than eighteen months, sometimes spanning two calendar years — the end of one year and beginning of the next — while perennial crops have a cycle of more than eighteen months.
Another feature is the fact that agricultural planning forms an intermediate link with other plans. When we make projections of the area to be sown or of the livestock totals for the plan year, we are determining the future development of all branches of agriculture in the short, medium and long term.

3. Administrative organization

As we observed above, because of the land tenure system, the agricultural sector has two social sectors: a State sector and a private sector.

Both sectors are administered by two parallel agencies with their own social purposes, both under the general direction of the Party, which operates at various levels. State agricultural production is organized into four levels: the central bodies, the provincial departments, the regional groups and the production units (farms).

The private sector is administered by the National Association of Small Farmers (ANAP). The Association has a national office, provincial and municipal offices, and farmers' organizations which group by area the various production units privately owned by peasants, such as peasants' associations, credit and services co-operatives, agricultural companies and individual peasant holdings.

The peasants' association has the simplest organization. Peasants belong to such an association harvest and sell their crops individually, but channel their needs for credit, intermediate goods, equipment, etc., through the association. Credit and services co-operatives group together peasants who own both land and the means of production; however, the means of production are used collectively, and requests for credit, purchases of equipment and sales of crops are handled collectively. The co-operative also withholds between 2 and 4 per cent of its members' income for its social fund, which is used for the construction of boats and schools, the upkeep of roads, etc.

Agricultural companies are formed by peasants who unite voluntarily and use the means of production collectively, sharing out the profits proportionally according to the work done by each member.

4. Plan formulation

We shall now describe the procedure used in planning for the agricultural sector, which broadly follows the general outline given in the chapter on over-all planning.

Starting with the politico-economic directives adopted by the Government and the Party, and the specific figures of the over-all model, the Agricultural Department of JUCEPLAN constructs the development model for agriculture for the plan period, broken down into social sectors (State and private).

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The initial basis for the model is an analysis of the levels of activity attained during the previous year and the support studies available, plus the information collected by the Party and the central bodies concerned regarding the development potential of each province, also broken down by social sectors.

The objective of the model is to compile a set of indicators in terms of volume and price which will constitute the control estimates, to be subsequently disaggregated at the various levels, from which further support studies can be derived leading to the adoption of more efficient ways of using scarce natural resources in order to solve any problems to which the estimates may give rise.

The main indicators for the control estimates are as follows:

(a) Area to be sown with basic crops;
(b) Storage capacity for the major agricultural products by social sectors;
(c) Volume of main imported inputs by monetary areas;
(d) Value of imports by monetary areas;
(e) Volume of investment.

The control estimates are distributed by the central agencies within the existing organizational structure for State and private activity. For example, the central agencies distribute the figures between their provincial departments and ANAP, and ANAP distributes them between its provincial departments. Subsequently, the figures are distributed regionally (INRA groups and ANAP departments) and then finally between State production units and private farmers’ agencies, where they are kept. During this “filtering down” process, the Party actively participates from the outset in the elaboration and review of the targets at all levels.

The figures resulting from this process are then returned to the provincial level, where the discrepancies with the original figures are noted and analysed by the national department responsible for the central bodies, JUCEPLAN, the provincial committee of the Cuban Communist Party and the headquarters of ANAP. Later, the central body compares the provincial proposals and reconciles tasks with their requirements in human and material resources.

The “upward” movement of plan formulation is completed when the results of this compatibilization go to JUCEPLAN, where they are analysed in the light of the national economy as a whole and are finally adjusted at the highest planning level.

We should point out that during the plan formulation process there are countless vertical and horizontal contacts between the central agricultural agencies and the other economic agencies, both over-all and sectoral.

Requirements for locally manufactured intermediate goods and equipment are submitted to the supply agencies: Ministry of Basic Industry, Ministry of Light Industry, Ministry of Food, Ministry of Construction, and in the case of basic products, to the Central Planning Board. Subsequently, requirements for imported goods are submitted to the Ministry of Foreign Trade, and services requirements to the appropriate agencies: Ministry of Transport, Ministry of Domestic Trade, etc.

In addition, consumer and distribution agencies submit requests for agricultural products, either for processing or for direct consumption, and the
necessary arrangements are made between storage facilities and State and private production units.

5. Principal planning instruments

In agricultural planning in Cuba, a series of special instruments is used to analyse the activity of the sector and evaluate the major limiting factors. These include the land-use balance, the movement-of-livestock balance, the machinery-use balance and the manpower balance.

The land-use balance shows the total area of the country and the amount of uncultivated land capable of exploitation according to the use and the productivity of the soils, by social sectors. The total physical area of the country, as mapped and measured by the Institute of Physical Planning, less the land occupied by urban areas, roads and railways and rocky areas not suitable for agriculture, gives the total arable area (land suitable for agriculture) and the area of forest land (woodland, even if the trees have been felled). These areas are then divided into irrigated areas, non-irrigated areas, and areas with irrigation potential. By subtracting from the above total the agricultural and forest land being worked, one obtains the area of uncultivated land capable of exploitation.

This instrument is used in determining agricultural activity for the year planned, starting with the area of uncultivated land capable of exploitation and land being exploited at the beginning of the plan period, and on the basis of estimates of the yields that are technically possible given the use of specified amounts of fertilizers and fumigation and on the basis of a study of probable weather conditions.

The movement-of-livestock balance shows the growth of the herds during the period considered. Starting with the initial total classified by age and sex, applying mortality and natality indexes and bearing in mind transfers to other categories, one obtains the slaughter rate which will ensure the adequate growth of the herds. This figure, together with the projected yield (average weight per slaughtered animal, litres of milk per cow, eggs per hen, etc.), when compared with the availability of fodder units as established in the fodder balance for the upkeep of livestock, gives the figure for livestock production.

The machinery-use balance shows the degree of mechanization of agriculture, reflected in the allocation and use of the equipment earmarked for agriculture. This balance shows the availability of equipment and tools and the level of efficiency required to achieve the targets set for agriculture. It is calculated by applying the technical standards established in technological charts to the number of hectares to be cultivated.

The manpower balance shows the regional and seasonal distribution of manpower resources and makes it possible to plan labour resources so as to ensure that they are used effectively. The balance is calculated by determining labour requirements – both national and regional – and applying the standards established for each stage of cultivation. These standards have been fixed in the light of the technology applicable to the crops to be cultivated during the plan year and the working days in each month, and making allowance for the rainy season.
6. Plan control

Because of the special features of the agricultural sector, the plan controls are applied by product and by crop, and also regionally at the various planning levels. At the same time, and parallel with the above, the implementation of the agricultural plan is controlled from the lowest to the highest planning level (JUCEPLAN) in great detail, although the extent of the control is not the same in a rural area, for example, as it is in a municipality. The plan is thus controlled by means of regional meetings attended by representatives of the administrative organs at each level and of the Party.

The dynamics of the development proposed for the agricultural sector requires flexible and highly centralized control methods, in which the Party plays a decisive role as regional co-ordinator of development targets and as the main agency responsible for all activities, whether economic or political, in each zone. The participation of the Party ensures that the problems of a given product or crop will be fully analysed and that the necessary measures will immediately be taken to ensure that the most rational use is made of the region's resources.

An integral and important part of the control exercised by the Party relates to the activities of the private sector, which, as has already been said, play an important part in Cuba's agricultural development.

During the formulation of the national plan, development targets are fixed in consultation with peasants from the private sector; agreements are signed for the transfer by the Government sector of the means of production required for private activities and the respective areas of self-sufficiency are determined for the plan period. Through ANAP, the Party exercises direct control over the implementation of the targets set for the private sector.

E. INDUSTRIAL PLANNING

1. Introduction

The responsibility for industrial activity in Cuba is carried essentially by five central bodies,13 under which over thirty enterprises are grouped. These two levels, plus JUCEPLAN, form the basic industrial planning pyramid, the difference between them being increasingly confined to the degree of aggregation of the analysis.

13 As mentioned in section B of the present document, these are the Ministries of Mining and Metallurgy, Basic Industry, Light Industry, the Food Industry and the Sugar Industry. Other agencies generate industrial production as a stage in vertically integrated activities. Their individual incidence on the value added in this sector is not significant. Among them the following may be mentioned: the Ministry of Construction, which produces certain building materials; the National Poultry-rearing Combine, responsible for production of fodder; the Cuban Tobacco Company, which controls the manufacture of tobacco and cigarettes; and the National Fisheries Institute, which undertakes the construction of medium- and shallow-draft fishing-boats.
The roles of the three levels in the process of formulating annual plans are systematically interrelated, so that although the functions of each are clearly defined, the formulation of the plan is a joint undertaking. For example, the control estimates, which are dependent upon a central definition of development tactics in annual terms and are therefore the responsibility of JUCEPLAN, are determined with the participation of the central bodies and the enterprises. This participation takes the form of discussion of the probable level and efficiency of economic activity; economic analyses of the implementation of the plan covering the preceding period; studies on the development of particular branches of industry; research on final demand; and so forth. It is this general background information prepared by the central bodies and the enterprises which enables JUCEPLAN to take the best possible planning decisions.

It should once again be emphasized that although these control estimates are prepared jointly, the ultimate responsibility for their presentation and discussion at the highest levels of decision-making is incumbent upon JUCEPLAN, and if any differences of opinion that may arise during their preparation remain unsettled, it is at the highest level that the final decision must be taken, basically in the light of JUCEPLAN’s broader knowledge of the economy as a whole.

Once the control estimates have been approved by the Government, the centre of activity shifts to the central bodies and the enterprises, during the stage known as preparation of the directive estimates. In this process, JUCEPLAN’s role is to act as mentor to the central bodies and the enterprises, keeping in very close touch with them so that proposals for changes in the control figures, their degree of reliability, potential reserves, etc., can be systematically evaluated. This is envisaged as a means of significantly shortening the time required for JUCEPLAN to analyse the projects of the central bodies. The aim is to ensure that when in due course the projects are formally submitted, almost the only evaluations still pending are the over-all consistency and feasibility tests.

Experience in the formulation of sectoral plans has shown that the active participation of enterprises is a factor of vital importance in substantially improving the quality of the plan. In the early years of planning, this participation was very slight, and its place was taken by instructions stemming from the economic analyses prepared by the central bodies. Changes have now come about, and at the present time the basic responsibility of the central bodies at the plan formulation stage is to provide advisory assistance and supervision. Thus they become a sort of half-way-house between JUCEPLAN and the enterprise, and the exercise of purely mandatory planning functions is reduced. The enterprises carry out all efficiency analyses and deal with all the administrative aspects of plan formulation (estimates of inputs; preparation, presentation and acceptance of supply contracts; etc.).

2. *Formulation of the sectoral model*

The first step towards the formulation of annual plans for the industrial sector is the construction of a simple model of manufacturing activity as a means of making a fairly general analysis of the basic proportional relationships between the various branches of economic activity, the degree of satisfaction of
final demand and the over-all level of efficiency envisaged. This model is prepared by the Industry Department of JUCEPLAN, and, as stated above, the leading agencies and enterprises in the industrial sector take part in the work. The sectoral model is the embryo from which the control estimates for the annual plan will subsequently grow.

The first of the basic sources for the construction of this model is constituted by the background studies which are prepared throughout the year at the various planning levels and with various ends in view, i.e., they may relate to the analysis of a specific line of production, the utilization of certain resources in short supply, to research on external markets, etc. A second source consists of the medium-term studies of different branches of activity prepared by the several planning units; and another, no less important, in the object-lessons afforded by the evaluation of the preceding year's plan and of its implementation.

In the light of these analyses, the over-all level of efficiency to be attained in the year covered by the plan — a focal point for annual economic development plans — can be provisionally assessed. The background studies, as their name implies, provide only a general basis for the first approximations of the sectoral model. Strictly speaking, all they can do is to give a very rough idea of the specific level that economic activity may be expected to attain; its structure, however, is determined by other factors, foremost among which are the politico-economic directives laid down by the Government as a national economic development strategy. There are now a great many such directives for the industrial sector by which a substantial volume of manufacturing activity is directly conditioned; if in addition all the induced activities deriving from the directives are taken into account, the first glimpse of a possible structure of industrial production can be obtained. This preliminary outline can be filled in by reference to the necessary considerations in respect of other final demand, and by means of very simple inter-industrial matrices, any major disequilibria in the structure of industry can be smoothed out.

In this first stage of the construction of the model, allowance is made for the limitations inherent in the sector itself as consequence of shortages of major economic resources (basic equipment, skilled labour, entrepreneurial skills, etc.). A maximum volume of industrial activity is thus established in terms of the sector's internal possibilities.

At a second stage, account is taken of the limitations extraneous to the industrial sector which derive from the development of the national economy as a whole, and essentially from the external sector. Accordingly, a brief analysis of the different characteristics of these limitations is called for.

Once a given supply of imported resources has been determined, over-all criteria for their distribution (volume of gross domestic product, ratios between consumption and saving, etc.), are applied to establish the supply of imports available specifically for the industrial sector, divided between basic equipment and current inputs for production, maintenance and other activities. This tentative allocation also includes a breakdown of the supplies in question by major external markets of origin, i.e., socialist countries, capitalist countries with which agreements have been concluded and capitalist countries with which Cuba has no agreements.
The over-all estimates may introduce other factors affecting the sectoral model, basically in the shape of specific final demand indicators (per capita consumption of industrial goods, buildings and other constructions available, over-all manpower supply), which are incorporated in the model described here.

Thus the sector's own possibilities and the above-mentioned exogenous limitations must be jointly taken into account, and on this basis a start can be made on the establishment of priorities and selection of alternative options, with the ultimate aim of maximizing industrial activity. Here various selection criteria come into play, including optimization of the volume of direct and indirect exports, import substitution in respect of goods with a high income-elasticity, support for activities with far-reaching multiplier effects on the rest of the economy, etc. The order of priorities is of course established in line with the development strategy previously mapped out by the Revolutionary Government.

The next stage is to make this sectoral model more specific, for the ultimate purpose of establishing the control estimates for the industrial sector. Fuller details are of course introduced by way of successive approximations, until a set of indicators emerges, some of which are directive and others merely indicative for the agencies and enterprises that will subsequently be using them.

During this phase of the work, more precise data on import sources are worked into the model, in order to take into consideration both physical and financial factors limiting the external supply in the case of the various supplier countries. These additional determinants are incorporated in the more general restrictive framework represented by the monetary limits set to imports in the original over-all model.

Various instruments of economic analysis – basically, material balances – are then applied, and the different sectoral approaches are tested for consistency with the more general economic balances (social product balance, balance of payments, etc.), in order to arrive at the control estimates.

In the case of the industrial sector, the control estimates take the shape of the following indicators:

(a) Physical output of basic\textsuperscript{14} and selected products;
(b) Main imported physical inputs for each of the lines of production indicated under (a), broken down by currency areas;
(c) Value of gross industrial production, by branches of industry;
(d) Import quotas in terms of value, by currency areas, for industry as a whole;
(e) Volume of investment.

\textsuperscript{14} As previously stated, basic products are those which are explicitly included in a material balance, and consumption of which is centrally allocated. Selected products, although dealt with in physical terms, are not given the same priority as basic products, and less is known of their use. This specification of products covers about 80 per cent of the value of gross production in the industrial sector. The figure for the supply of imported resources is much more dependable, representing over 95 per cent of the sector's total imports of products absorbing convertible currency. Clearly, the issue of the control figures in such exhaustive detail at so early a date as April of the year preceding that covered by the plan allows time for further checking-up on the dependability of the estimates, and substantially improves the general quality of the plan.
These indicators are listed in detail for the various sectors' central bodies and even for each of the enterprises making up each branch of industry. The publication of the control figures largely represents a co-ordinated effort on the part of the central bodies, the enterprises and JUCEPLAN, and they therefore constitute a highly directive instrument which incorporates, in an essentially democratic spirit, the suggestions emanating from the base of the pyramid, and reconciles them with the over-all limitations of the national economy.

3. Substantiation of the control estimates

After the control figures have been worked out they are given more detailed efficiency tests at the enterprise level. It is at this level that the demands of the users are expressed and that the range of products required is matched with actual production possibilities, that the indexes of imported inputs are checked, and that relations are established with importers and the limitations of external supply determined. This stage is characterized by the effort to achieve maximum efficiency, by raising the level of activity as far as is compatible with a given amount of resources in some cases (when the products are not subject to directives), or minimizing the utilization of resources so as to establish a particular level of activity, in others. Another feature of this stage is the fact that, after the necessary economic analyses have been made and preliminary contracts drawn up between consumers and suppliers, the enterprises inform the central planning agency of any discrepancies that may be found between those calculations and the control figures. These discrepancies are of various kinds; they may represent a gap between output and consumer demand, or derive from a shortage of supplies for a planned level of activity. A methodology has been worked out for verifying differences of this kind, and it is used by the enterprises to prepare their comments on the control figures.

The discrepancies are then examined by JUCEPLAN, mainly in relation to the over-all balances of resources, and the figures are accepted or rejected. If they are rejected, the levels of activity are modified and the necessary iterations for arriving at the consumer level are made. Finally, the directive estimates for the plan are established. At the end of this stage, the contracts between the suppliers and consumers, including foreign trade concerns, are ratified.

4. Instruments of economic analysis

The fund of experience built up has made it possible to develop a set of technically fairly simple but highly efficient instruments for preparing industrial plans. They are employed without distinction at all the levels mentioned above, and are particularly useful for determining the different phases of plan formulation.

At the same time, the necessary conditions for applying economic planning methods of wider theoretical scope are being created with ever-increasing rapidity in the major agencies and enterprises. Some practical experience in the use of these methods has already been acquired, and will be described later in this paper.
The system of planning used for the Cuban economy is founded on the balance method and the plan’s principal instruments of analysis are developed on that basis.

There are, in the first place, the commodity (physical) balances, which give the necessary material content to industrial production plans. These balances are made for over fifteen lines of industrial production,¹⁵ which have been chosen for a variety of reasons. They consist of items of mass consumption, which it is politically very important to maintain in steady supply; products of major importance in export trade, because of the export earnings they bring in and the imported inputs they require; products in wide demand; and products with a heavy incidence on output in other economic sectors, etc.

The way in which these commodity balances are made up entails a knowledge of the sources and uses of the products concerned, and of the centralized allocation of consumption among the different users. Their use also involves a knowledge of the coefficients for the directly imported inputs, the systematic orientation of consumer demand, and information on national production possibilities and, in general, on the supply of each product (elasticity of external markets, capacity balances, etc.). Planners dealing with a product that is the subject of a material balance (basic product) must have an exhaustive knowledge of the product, its degree of efficiency, the possibilities of improving it and its maximum level of utilization.

Experience has shown that it is highly desirable to select these basic commodities carefully since the key annual planning decisions turn on them.

Nearly all the remaining industrial activities are planned on a physical basis¹⁶ by methods similar to those used for drawing up the material balances but without the same extensive knowledge of the details of each product.

Much fuller information has been acquired on import indexes for the different kinds of industrial goods produced. So far, these indexes reflect only the direct component of physical production and the current degree of efficiency achieved in the utilization of imported resources. Moreover, as they are divided into the different monetary areas in which the imports originated, constant efforts have to be made to improve the foreign exchange balance of the product. These efforts assume two forms: first, import substitution of the raw materials with the highest incidence on foreign trade, which is no easy matter over the short term, and, secondly, the shift of inputs from one monetary area to another, depending on the particular kind of foreign currency that is in short supply and general criteria on the deployment of the capacity to import in the different monetary areas. These coefficients provide another basic tool for use in plan preparation.

¹⁵ The balances are prepared at the level known as that of the generic product, that is, they are listed as tyres, accumulators, cotton textile goods, etc., without itemizing the range of each product manufactured.

¹⁶ Long before detecting the built-in defects of the price system currently in force, the planning authorities in Cuba had determined by rule of thumb that decisions taken on the basis of the indicators in vogue had little economic validity, since the indicators’ level of aggregation made it impossible to obtain a sound knowledge of the whole range of choice available from which to single out the most desirable line of action.
Finally a brief reference will be made to the experience acquired by Cuba in the use of mathematical methods of economic analysis for the planning of enterprises. It is, in fact, at this level that it has proved feasible to introduce some of the more advanced techniques of economic management. The set of techniques developed by operational research includes linear programming and the critical path method, which have been used to optimize production and import programmes (bottle plants, the import structure of tinplate, import substitution of powdered milk), and to ascertain the most suitable length of time for the application of an investment programme. Some central bodies have formed groups to deal exclusively with the study and introduction of applied mathematical techniques in economic planning.

5. Plan control

The experience acquired in the formulation of industrial plans has been described above. This section will be devoted to an account of the methods used for plan control.

A wide variety of experience in industrial plan control has been accumulated, and the methods originally employed have been radically revised in the light of that experience. They proved to be too complicated for the stage reached by data compilation, the organization of enterprises, etc., and simple mechanisms for streamlining the process of decision-making are being increasingly used.

Plan control resembles plan formulation in being split up into different levels, which are mainly determined by the degree of aggregation of the analysis, and the responsibility for control is divided among the enterprises, the central bodies and JUCEPLAN. There are, however, some exceptions which are determined by the economic, political and social priority of the problems under consideration. For instance, a certain level of activity over which JUCEPLAN is assigned authority may be analysed in the same degree of aggregation as if it were under the aegis of an enterprise, because of the kind of decisions it requires.

As regards the distribution of control in terms of the aggregation of the analysis, JUCEPLAN is making a systematic study of commodity problems. The other industrial activities are theoretically controlled by the central bodies and enterprises. Investment control is divided in a similar fashion, with the major economic projects under JUCEPLAN, and the other programmes for capital formation under the control of the central bodies and enterprises.

In addition to this type of control, which is closely associated with the nature of plan formulation surveys are undertaken to obtain information on the implementation of the plan and on the action required with regard to a wide range of products and development programmes. In fact, the unusually dynamic nature of the Cuban reproduction process combined with the relative shortage of

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17 This account has been focused on the formulation of plans for production and supply, since these are the most complex and give the clearest picture of our economic planning process.
the different economic factors required make it necessary to review the salient features of growth strategy nearly every day. Very many of the programmes are concentrated in the industrial sector, for instance, such important projects as the development of the nickel industry, the formation of a domestic metal-transforming industry, the expansion of capacity in the construction materials industry, the inauguration of big nitrate fertilizer plants, the elimination of bottlenecks in the supply of products like paper, textiles, petroleum products and so forth. The result has been an unduly rigid grading of the functions of control.

At the sectoral level, the control is mainly focused on question of production, supply and investment, and has developed some interesting features. In the first place, it is centred on the physical aspects of plan implementation; secondly, each planner is increasingly entrusted with the responsibility for a specific problem so that the authorities concerned can be supplied at all times with an up-to-date report on the product, its programme and problems, etc., and an account of the measures that need to be taken.

The results obtained have been highly satisfactory, as the two basic stages of the planning process have finally been sufficiently integrated to make it difficult to separate them in routine work.

F. LONG-TERM PLANNING

1. General concepts

Because it is customarily so specific, a discussion of the problems of the administrative aspects of the implementation of development plans might not appear to be the right place to consider the problems of long-term planning. The literature covering the strategic problems of economic development generally fails to pay sufficient attention to the administrative problems — the problems of management — implicit in development strategy as such, and concentrates on the more formal aspects of long-term planning such as the construction of models, projection techniques, etc.

It is precisely because of this traditional approach that it is especially important to raise a number of questions relating to long-term planning. First of all, we must stress one aspect which, although it has been examined earlier in this paper, is of particular importance. Planning is not a set of formal exercises in which the objective is to achieve the greatest possible consistency between programmes. the highest possible growth rate for a particular indicator or, in short, the most rational use of all the factors involved. Planning is something which people need, not just as another way of satisfying the intellectual concerns of the few, but as an instrument through which all men can aspire to greater fulfilment. It is not a question of trying to explain how the economic world works or of predicting future changes but purely and simply of changing the world in its entirety and in its objective reality.

This is why, as we pointed out in the introduction to this paper, we must look at planning as an integral part of the management process through which present-day society will be changed, and we must remember that for this to
occur with any degree of effectiveness it is essential that it be more than just a succession of tactical strikes, and that decisions on what is going to happen in the immediate future must be part of a general strategy regulating the process of change over a certain period of time.

If we focus our examination of the problems of long-term planning on the idea that, in order to be operational, long-term planning must form an integral part of the management process, we must inevitably consider the administrative side of the process.

Hence, despite the fact that an examination of the administrative aspects of the implementation of development plans might not appear to be the proper context for a discussion of the problems of long-term planning, it is highly desirable to look at such problems from this viewpoint.

The reasons which, theoretically speaking, make a long-term strategy essential have been exhaustively discussed, and there is no need to go over them here. However, although the idea of the inevitability of planning is now a commonplace, the features and requirements of planning are understood in very different ways. While the need for planning is recognized in many cases, the concept of planning as such is misinterpreted and over-simplified: what should be thought of as a management process becomes an exercise in constructing models, which, even though they may be technically very complex, give no more than a very schematic idea of the future development of the economy concerned. The danger of confusing genuine planning with the mere construction of models of varying degrees of complexity but without much substance has been well described by Professor Gross in a document prepared at the request of the Public Administration Branch of the United Nations Secretariat which is one of the background documents for this Seminar.¹⁸

When this document refers to the dangerous fallacy of considering economic planning as merely economics, or to sophisticated econometrics with little or no basis in empirical data, it is describing something that, despite even greater attempts to combat it, still permeates the thought of too many economists, planners and even private individuals.

This is why we must dwell on the role of long-term planning as part of a management process which must have as its clear objective the rejuvenation of the economic structure and hence of the administrative super-structure of society, and we must do so in the conviction that, as was correctly observed at an earlier Seminar sponsored by the Latin American Institute for Economic and Social Planning, planning for Latin America has different problems and also a well-defined political significance, and it cannot be considered as an exclusively technical, administrative or organizational problem.¹⁹

Accordingly, we must look at long-term planning within the context of administrative problems, bearing in mind that the profound political content of a management process that has to reach society as a whole will inevitably

¹⁸ "The administration of economic development planning: principles and fallacies" (ST/TAO/M/32), New York, 1966.

influence the nature of the machinery used in the process itself. We must also remember that the fact that particular techniques are in use does not necessarily mean that a genuine planning process exists of the kind that millions and millions of people are crying out for, with all the strength of their rights as human beings, both here in the Americas and in our sister continents of Africa and Asia.

If we agree that the main objective of long-term planning is to help to formulate development strategy in such a way that executive action in the short term really does help to achieve the structural changes the society needs, then it follows that we cannot think of planning taking place in a hermetically sealed, neat and tidy academic ivory tower isolated from every-day life and the decision-making centres. In this sense, long-term planning must be considered as one of the instruments the management system uses to ensure its own proper functioning and, therefore, as an integral part of the more complex whole of the management system.

It is important to concentrate our attention on this fundamental feature of long-term planning, i.e., the fact that it is part of a more complex whole, and also to remember that the role of the long-term plan is to define and regulate development strategy, it is the day-to-day decisions about the economic process which in the final analysis make it possible to implement, effectively and genuinely, the tactical decisions which flow from the development strategy. If we clearly define these features of long-term planning, we are in a position not only openly to question in general terms many of the traditional ideas about the value of models but also to pave the way for a presentation of the problems of long-term planning in the context of the administrative aspects of the process of economic management — remembering all the while that the actual features of the economic management process in any given country strongly influence, and in practice determine, both the machinery used by and the specific role assigned to long-term planning. Here we must again refer to the views expressed at the Seminar on Organization and Administration of Planning, held at Santiago, Chile, in 1965.

The Seminar concluded that it was clear that the slow and difficult progress of planning could not be attributed merely to the uncertain nature of technological and human resources, nor to the huge difficulties and limitations involved in re-organizing public administrations so that they can respond adequately and efficiently to a planning system and process. On the contrary, we must evaluate this progress in terms of the structural framework and in terms of the existing economic and institutional conditions and the profound political content of the programmes and measures included in development plans.20

In Cuba, the first socialist country of the Americas, the planning system used is obviously qualitatively different from corresponding systems in the other countries of the region.

In Cuba we really can speak without exaggeration of a genuine process of systematic management in which long-term planning plays its proper part; the formulation of a development strategy is not confused with planning as a whole, and the methods whereby the strategy is formulated are not confined to the

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20 Ibid., pp. 21-22.
more sophisticated and complex kind of method which is very much removed from every-day economic life.

We must make it clear that Cuban planners certainly do not despise advanced techniques, but since the final objective is to change things as they are, merely getting involved in theoretical discussion would be tantamount to renouncing that objective.

2. Cuba's experience

The kind of long-term planning being undertaken in Cuba should be viewed not in terms of intellectual arguments about what is to be done in the future, but as an inherent part of a management process that is actually under way which therefore requires, a strategy, and which, moreover, is not some kind of simulation exercise or game of cybernetics, but a great endeavour which is being pursued with the support, the enthusiasm and the sacrifices of men. This, therefore, is a serious problem, and in solving it we can make no concessions at all to what is esoteric, exotic or just simply beautiful.

Within the system of economic management at present in operation in Cuba, long-term planning plays its traditional role as the delineator of development strategy. But, even though this role is recognized and accepted, long-term planning is undertaken quite differently from what might be considered the traditional manner, for the very special circumstances of Cuba place such planning from the outset in the midst of practical problems related to the system of management. Thus, the fundamental problem of establishing long-term planning is no longer a theoretical exercise but necessarily and rapidly becomes a practical activity involving the organization and implementation of a labour force to delineate the strategy of a management process that is actually under way and cannot stop and wait until there is a plan of some scope covering a reasonable period. Moreover, the fact that the strategy of development is subject to more than just economic considerations is also taken into account; the road to the future cannot be signposted only with such technical economic indicators as gross national product or per capita income. What is needed is to achieve the most appropriate and vigorous development of the society, and in this respect certain ideological and political considerations play a decisive role. This means that, even though long-term planning work must make intensive use of the tools of economic analysis, more than purely economic considerations must be taken into account when formulating development strategy. The idea that economic matters should not be the only basis for determining development strategy is normally accepted by specialists, but we refer to it here because of its exceptional importance.

In the first few years after the triumph of the revolution in Cuba, some attempts were made to formulate a five-year plan covering the period 1961-65, for example, by Kalecki, Bettelheim and the economists of the Central Planning Board. In December 1960, Professor Michael Kalecki prepared a hypothetical model of growth for the period 1961-65 which, even though at a high level of aggregation, provided the first totally structured economic development model. The weakness of the statistical base, the fact that there was no sectoral work to
back up the model, the absence of material balances to ensure complete internal consistency in the model and — most important of all — the lack of politico-economic directives, together greatly limited the use of the model. Nevertheless, Professor Kalecki's wide knowledge and experience were an important factor in training the first economic planners.

In the middle of 1961, economists of the Central Planning Board and Professor Charles Bettelheim, working along parallel lines, formulated two sets of projections, with very similar results, which were already at a much lower level of aggregation by economic sectors. The methods used the traditional projection techniques for over-all models based on such instruments as elasticity ratios, product-capital relationships, international comparisons, etc. Unlike the first model by Kalecki, the aim of these two models was to achieve a specified growth rate of the national product, the rate having been fixed as a directive by the Executive Committee of the Central Planning Board. There were also other directives covering, for example, the volume of sugar production, the rate of housing construction, exports of minerals and fruit, etc.

These three models, although very valuable in methodological and statistical terms, had a number of faults which made it impossible to use them effectively at the specific level of day-to-day decision-making. The reason for the low operational content of the models was similar — although to a much lesser degree — to the reason why the work now being done in the other countries of the region cannot be effectively used at the executive level and thus become a practical reality. In 1960, only a few months after the triumph of the Revolution, when the socialist nature of our revolution had not yet been proclaimed and some important positions were still in the hands of the private sector, it was quite simply impossible to draw up a really integrated plan for economic development. At that time, the first priority was to organize and consolidate the government sector and every-day life productive relationships were being rapidly transformed. Consequently, work on long-term planning was carried on rather in a vacuum. Moreover, the weakness of the statistical base, the fact that there were not enough projects to back up the projections, and the low level of the administration of the time, all conspired to prevent the work from becoming operational.

Subsequently, once the vast future potential of the Cuban economy had been more clearly defined and the system of annual planning established, work began in 1962 on a medium-term plan to cover a period of three to four years. This work was undertaken under much better conditions than previously because the statistical base had been considerably improved, there were now a good number of projects corresponding to different investment possibilities, and there was more experience of planning work. While the work done did make it possible to define a series of important questions, it still cannot be considered sufficient since a medium-term plan covering all sectors and branches of the Cuban economy was never officially promulgated.

One of the main difficulties encountered was how to determine the scope of planning work. An attempt was made to give the medium-term plan the features of a short-term operational plan in that it presented an integrated and consistent picture based on a relatively large number of indicators covering all sectors and branches of the economy. There was very little likelihood of ever being able to
put a plan of this scope into practice since it would have meant diverting a fairly high proportion of the few trained staff who had to formulate the annual operational plans to structuring the medium-term plan.

The fact that so far there is no medium-term or long-term plan covering the economy as a whole does not mean — far from it — that no development strategy exists. One of the essential points which has to be clarified in this connexion relates to the level of aggregation and to the universality of the technical and economic basis of planning, and to the boundaries between the plan and the strategy implicit in it.

The Cuban Revolution has a clearly defined development strategy: the rapid and energetic development of agriculture and cattle-breeding based on the most up-to-date technology, the take over of most of the means of production and the emergence of a highly skilled labour force, and the establishment of a processing industry for agricultural products and for the inputs required by the agricultural sector — affecting both agricultural consumption and agricultural production — with the subsequent development of the rest of industry. At recent international gatherings\(^{21}\) Cuba has systematically presented the main elements of its development strategy, which need not, therefore, be restated here. Together with its development strategy, although there is no integrated medium-term plan, Cuba has a set of projections — and projects — for the main branches of the economy and for products or groups of products of decisive importance. Studies have been made, covering periods of varying length, which facilitate the implementation of the many day-to-day operational decisions required to carry out the development strategy.

At present, the work being done in Cuba on medium- and long-term planning is along the lines described above. It was thought preferable to organize a work programme based not on the formulation of a disaggregated plan covering the whole of the economy but on an integrated study by the Central Planning Board of a sizable number of programmes which constitute the most dynamic activities in the Cuban economy.

Although final responsibility for the implementation of these studies rests with JUCEPLAN, other agencies and enterprises, for example the economic research teams of the University of Havana, also play their part in accordance with the general approach to planning described earlier in this paper. The programmes are more than merely sectoral in content and include factors relating to macro-economic problems and such diverse matters as international economic relations, research, automated information services, etc.

Thus, long-term planning, integrated as it is within the system of management of the Cuban economy, is not thought of as a set of advanced techniques divorced from reality, or as a very detailed and comprehensive endeavour, precisely defined in methodological terms and necessarily leading — at least at this stage of our development — to empty and formal paper work. An alternative analysis of long-term development is being worked out bearing in mind that the objective is to formulate a strategy and not to elaborate a

\(^{21}\) See in particular the material submitted by Cuba to the International Symposium on Industrial Development, and the documentation for the fourteenth FAO Conference and the twelfth session of ECLA.
long-term tactical plan, and that it is essential to ensure that there is a link between long-term plans and day-to-day executive decisions.

Thus, in technical terms, the fundamental feature of the long-term planning work now being done in Cuba is that it is not building up a system derived by disaggregating a macro-economic model structured around machinery of the Harrod-Domar type, but basing itself on the simultaneous projection and execution of a series of programmes. From the administrative — i.e., political — point of view there is a fundamental difference. In Cuba there is a genuine and systematic process of management which makes it possible to ensure that medium-term planning work is not isolated from the decision-making centres; thus it is really possible to say that in Cuba plans have operational content.

In the preceding chapters we have described the most relevant aspects and features of short-term and long-term planning methods in Cuba. In our comments we have advanced, the thesis that it is impossible to isolate planning and its machinery from a much more general system of which planning is a part.

There is no doubt that the process of directing and managing economic activity imperatively requires that there should be a planning phase; but obviously the mere existence of such a phase will not serve to make the management process operational. The management process comprises, in addition to planning — that is, planning as the term is used in traditional organizational theory — other stages which are, like organization and control, inherent in the management of economic activity. And what has now been accepted as being necessary to promote the economic development of the under-developed countries is not studies or plans that cannot really be carried out, but a genuine process of economic management, going beyond the limitations and impediments which in the economic circumstances of low-income countries constitute an unavoidable obstacle to the progress of development. Unless there is a real likelihood that what are termed development plans can be implemented, they will remain nothing more than a projection of what might happen if things were different. Consequently, we must stress the need to look at the problems of Latin American planning against the background of the contradiction between the need for planning — i.e., managing economic activity — in order to conquer the limitations inherent in an under-developed market economy, and the fact that the productive relationships that exist in the region all work against achieving greater economic rationality. Technical problems do exist, and certainly more modern techniques of plan formulation may well be introduced, the administrative machinery may rid itself of its bureaucratic trammels and become flexible and more efficient; but all these possibilities cannot really offset the heavy burden of the productive relationships existing in the region. The technical aspects of planning are important, as are its administrative aspects in the sense of organization and methods; but what is really important — indeed fundamental — is how to solve one problem — that of the nature of productive relationships.
PLANNING TECHNIQUES AND ORGANIZATION
IN TRINIDAD AND TOBAGO

By Victor Williams*

A. PLANNING TECHNIQUES AND ORGANIZATION

In 1963 the Government of Trinidad and Tobago set up a National Planning Commission, and shortly afterwards a White Paper was submitted to Parliament outlining the functions, powers and composition of the Commission as follows:

1. Under the Cabinet, the National Planning Commission is the supreme planning authority of the country.

2. The Commission shall comprise the following:
   - The Prime Minister – Chairman;
   - The Minister of Finance – Deputy Chairman;
   - The Minister or Ministers responsible for Agriculture, Industry and Petroleum;
   - The Minister of Labour;
   - The Director of the Statistical Service;
   - A representative of the Central Bank;
   - Two additional persons to be selected by the Prime Minister on the basis of individual competence;¹
   - Permanent Secretary, Ministry of Planning and Development – Secretary Member.

   The Secretariat of the Commission is the Ministry of Planning and Development.

3. The Commission has the responsibility for the formulation of long-term, medium-term and annual plans for the improvement and expansion of the country’s material resources; for the fullest development and utilization of its human resources; and for the economic and social betterment of its people. To this end the Commission, working in consultation with the Ministries of Government and Statutory Boards, and, where necessary, with the private sector of the economy must:
   - (a) Assess the human and material resources of the country;
   - (b) Set up mutually consistent quantitative targets in both the economic and the social fields and propose, where necessary, the measures to achieve such targets.

4. The Commission has the responsibility for the evaluation of the progress of plans.
   - To this end the Commission must:
     - (a) Review all public sector projects from their inception to their completion through a system of project reports drawn up along such lines as are established by the Commission;

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* Document ST/ECLA/Conf.30/L.23.

¹ The two persons selected were the Permanent Secretary to the Prime Minister and Secretary to the Cabinet, and the General Manager of the Industrial Development Corporation.
(b) Undertake on a continuing basis the evaluation of the economic and social progress of the country.

5. The Commission shall approve any Development Plan prepared under the provisions of the Town and Country Planning Ordinance before any such Plan is submitted to Parliament and, pending the preparation of such a Plan, any major proposals involving land use or physical planning before such proposals are adopted.

6. The Commission shall advise the Cabinet on such economic, social, financial or other problems relating to national planning and the execution of the Plan as may be referred to it from time to time.

7. All Ministries or Government and Statutory Boards shall be required to assist the Commission by providing it with such information as it may need in order to discharge its duties.

B. THE PLANNING PROCESS IN GENERAL

The White Paper reflects the concern of the Government with planning techniques and organization as a means of furthering the economic and social development of the country. It also reflects an underlying conception of the nature of the planning process.

If planning is defined as the formulation and execution of a set of systematic and interrelated measures with a view to the achievement over a definite time-span of clearly defined economic and social goals, it then becomes apparent that there are certain elements inherent in the planning process which hold good in any kind of society or any kind of economy, whether collectivist, mixed or private enterprise, whether developed or developing. Using this definition, the planning process can be broken down into the following elements:

(a) An assessment of resources;
(b) The setting of objectives;
(c) The formulation of measures to achieve the objectives;
(d) The carrying out of the measures; and
(e) An evaluation of the extent to which the objectives are being achieved.

The assessment of resources involves an intensive analysis of recent trends in the whole economy and its major sectors and in the Government’s finances. It also involves a close study of the natural resources of the country in order to determine the potential for the development of the country and the pattern which development might assume, and also a study of human resources, covering total population, age distribution of the population, labour supply, rate of population growth, the employment situation, and the skills and training of the population.

Secondly, objectives, goals and targets must be set out as precisely as possible in quantitative terms. The broad objectives will relate to the over-all national economy and will include such components as the rate of growth of the product, the share of investment and a consumption in the total product, the
growth of the various sectors of the economy and changes in the balance of payments. There must also be goals for specific sectors such as agriculture, industry and education, and specific targets for both the public and the private sectors, for example, the number of school places, the number of miles of road, the output of selected industrial and agricultural commodities, etc.

Thirdly, the plan must not only provide for investment in the private and public sectors, but must also include a wide array of policy instruments, including fiscal and monetary measures, tax incentives, and tariff and quota measures.

Fourthly, appropriate machinery has to be available for the implementation of the plan with respect to both the public and the private sectors.

Lastly, there must be machinery for the evaluation and for reporting on the extent to which the objectives of the plan are being achieved.

1. Need for a development strategy

The choice of the correct strategy is a question of supreme importance for successful development policy. There are several aspects to development strategy, two of which may be mentioned here.

The first is the relative emphasis which the public sector should give to various kinds of investments and policy measures. It is clear that government action in a very wide range of fields affects economic and social development. The question is: what is the right combination of expenditures and of measures and, given the particular circumstances of any country at a particular moment in time, what are the strategic areas in which to concentrate investment and effort in order to promote self-sustained growth?

Secondly, strategy involves the conscious choice of some path or combination of paths of development from among various alternatives. For example, should one start with light consumer goods and work backwards, as it were, to heavy industry in the classic manner? Or should heavy industry be set up from the outset, leaving greater emphasis on consumer goods to a later stage of the development process? Should one plan one's industrial effort exclusively on the basis of import substitution, or should one think as well of a substantial expansion of exports? Should one make a conscious decision to concentrate development in the metropolitan areas, or should one make a deliberate effort to develop certain regions or certain geographical areas?

Such questions can be answered only on the basis of a close examination of the natural and human resources position of the country, and of the recent rate of growth and changing structure of the economy. Such an examination is usually an essential prerequisite for the formulation of a sound development strategy. Underlying the whole planning exercise there must be a basic sense of direction arising from deliberate choices based as much on judgement as on analysis.

Since the adoption of any strategy envisages changes in the structure of the economy, it is often useful to reflect the probable results of the adoption of a strategy in long-term projections of the economy.
2. Over-all, sectoral and project planning

The planning process includes three dimensions: over-all planning, sectoral planning and project planning. This distinction corresponds to the distinction made earlier between objectives, goals and targets. Over-all planning relates to the whole economy and the relationships between sectors. Sectoral planning relates to particular sectors, either sectors of the economy or fields of government activity, agriculture and education, for example. But in the last analysis all planning comes down to individual projects — a road, a school, a factory. Proper planning procedures are just as important in project planning as they are in over-all and sectoral planning; and, if proper planning procedures are neglected, much waste and misallocation of funds can ensue.

3. Programming techniques

The basic tool of over-all and sectoral planning is programming, that is to say the formulation of a set of mutually consistent forecasts for the principal elements in the national economy, including both the public and the private sectors. The application of certain programming techniques is essential in order to produce a mutually consistent set of forecasts, for the relationships between the several parts of an economic system are somewhat complicated. Everything acts on and at the same time is dependent on everything else.

The object of programming is to give a picture of the economy at a future date, usually the last year of the plan. It is, therefore, an essential part of the process of national economic planning. A programming exercise embodies two elements: the element of pure forecasting and the element of setting targets which are considered achievable either through the pursuit of the enlightened self-interest of producers or through the use of various policy instruments by the government. The export price of a commodity a few years hence is very much in the nature of a forecast, since the government can usually exercise little control over it. On the other hand, programmes in the field of government services may be more accurately described as targets. In between are elements of a mixed nature, such as the development of a particular industry.

Whether this last kind of projection is to be more properly regarded as a forecast or a target depends on the extent to which the major economic decisions in the country are subject to government control and influence. But even in an economy where most of the decisions on production, investment, saving and consumption are left to the free choice of individuals working through the market mechanism, a number of policy instruments are available to the government for the stimulation and encouragement of private economic decisions, so that such decisions may be more closely harmonized with the broad national objectives expressed in the plan.

Two principal approaches are usually made to the problem of ensuring consistency in a set of economic projections. The first approach relies to a great extent on the use of mathematical models. The second is more flexible and relies much more on qualitative judgement, although it need not dispense completely with the use of mathematical methods.
It is clear that no hard and fast distinction can be made between these two approaches. It is merely a question of emphasis. But there are two main limitations to the mathematical approach. The first limitation arises from the degree of complexity of the economy, in particular the extent to which various sectors are interdependent in the sense that they have a large number of transactions one with another as distinct from transactions with the outside world. The second limitation relates to the availability of a wide range of sufficiently reliable and refined statistical data covering a fairly long period of time.

The main uses of economic projection can be summarised as follows:

(a) They help to show the combined implications of a set of government policies and one of assistance in making decisions on economic policies;

(b) They can help to reveal conflicts between various policy objectives, for example, the conflict between a high rate of domestic investment and an improvement in the balance of payments;

(c) They can indicate the probable extent of the foreign exchange gap and hence the need for net foreign investment and foreign aid;

(d) They can help to indicate capital requirements for the economy as a whole and for the various economic sectors;

(e) They can help to identify particular problem areas, such as the need to increase exports of manufactured goods;

(f) They can be of help in the planning of economic overhead and training facilities, which have to be related to increases in production in various sectors;

(g) They can be of help in the forecasting of government revenue since revenue is related to changes in the output of the various sectors;

(h) They can be of help in estimating probable increases in employment, in so far as productivity trends in the various sectors can be accurately predicted.

4. Physical planning

Yet another important dimension of planning is physical planning. It is clear that all economic and social planning has its physical dimensions, since economic and social projects and activities must be located or carried out in specific physical areas. The object of town and country planning is to draw up over-all plans for the zoning of economic and social activities with a view to the best use of the physical space available, having regard to both economic and social criteria.

5. The planning period

Planning is essentially a continuous process since plans have to be modified from time to time to take account of changing circumstances. The task of planning can, therefore, never be completed. Because of this it is often necessary to have plans of different durations dovetailed into each other. At one end of
the scale there are perspective plans covering the development of the economy or of particular sectors in very broad outline over two or three decades. Within these perspective plans there is also need for a long-range plan of about ten years' duration to outline the desired structure of the economy in somewhat more detail. Such ten-year plans provide a strategic framework for a truly operational or medium-term plan which is formally adopted by the Executive and the Legislature and may have either the force of law or the force of basic policy commitments by the government in power. Such operational plans usually cover four, five or six years and are elaborated in considerably more detail than long-range and perspective plans. Finally, money has to be appropriated annually by Parliament for the conduct of public business; and this annual budget provides an opportunity for phasing the medium-term plan into annual plans or capital budgets. The annual capital budget also provides an opportunity for flexibility by means or revisions in respect of size, timing and changes in emphasis.

6. The role of research in planning

Since planning involves an assessment of material, human and financial resources, it requires a large amount of basic information which can only be provided by research and investigation into physical and human resources and by analyses of economic, statistical and financial trends. While it is true that there can be no planning without research, it is equally true that planning stimulates research by revealing gaps in basic information and data. And as more information and data become available, the planning process is enormously strengthened and improved and the plans themselves can be modified. This is one reason why planning has to be a continuous and flexible process.

C. THE PLANNING PROCESS IN TRINIDAD AND TOBAGO

While, as has already been noted, all of these elements are inherent in the planning process, irrespective of the kind of economy considered, the particular way in which a plan is formulated and executed depends very much both on the kind of economy and on the relative importance of the public and the private sectors. This general principle is very well illustrated by the particular approach taken in the Second Five-Year Plan for Trinidad and Tobago.

Consider the division between the public and the private sectors of the economy. In a fully collectivist economy where all the means of production are owned by the State, and where, by definition, there is no private sector, the need to co-ordinate the activities of the public and private sectors clearly does not arise. In this kind of economy the plan covers the whole economy, both infrastructure and productive activities, and it has the force of law. On the other hand, in a mixed economy problems arise both at the level of formulation and at the level of implementation. In a mixed economy where a large number of the
decisions on savings, investment, production and consumption are in private hands, the technique of formulating a plan is somewhat different from what it would be in a fully controlled economy. In such an economy the element of pure forecasting in setting objectives, goals and targets becomes predominant, and the problem becomes one of making correct forecasts and also of actively seeking the views of private producers on anticipated levels of production, saving and investment.

Quite apart from the size of the public sector, the economic structure also severely conditions the extent to which reliable forecasts can be made. For one thing, in an economy highly dependent on one or two principal exports, unexpected developments in the financial situation resulting from adverse changes in external markets may prevent the implementation of the government's intentions with respect to public sector investments. For another, the inflow of private investment is often difficult to forecast with any degree of accuracy.

1. Limitations to planning in Trinidad and Tobago

In Trinidad and Tobago these problems arise in a very acute form. In the first place, the public sector is relatively small. In 1962, it (i.e., government and public utilities) accounted for some 20 per cent of gross domestic capital formation and for some 14 per cent of the gross domestic product, while government consumption accounted for only 12 per cent of the gross domestic product at market prices. This means that in a national plan, the decisions made by private producers assume almost overwhelming importance. Secondly, the economy depends to a large extent, especially in the manufacturing and petroleum sectors, on inflows of foreign private capital; and such inflows, as is generally known are surrounded by uncertainty. Thirdly, the economy is highly open and is highly dependent on exports and imports. In 1961, the ratio of total exports of goods to the gross domestic product was nearly 60 per cent, one of the highest in the world, reflecting the predominance of the petroleum sector.

These three fundamental factors make planning and forecasting very different in Trinidad and Tobago from planning and forecasting in a country like India, with a low ratio of foreign trade, a large public sector and relatively little dependence on foreign private investment.

However, to recognize these limiting factors is not to imply that programming is impossible in the Trinidad and Tobago economy. In the first place, the Government has a fairly wide array of measures at its command which can be used to influence the private sector, and to encourage it to pursue certain lines of action. Such measures include the granting of tax incentives on a selective basis, fiscal and monetary measures designed to affect the flow and direction of savings and investment, commercial policy measures designed to encourage the production of local manufactures, etc. In addition, the fact that the Government in its public sector programme is undertaking a series of overhead investments designed to facilitate productive private investment cannot fail to have an important effect in stimulating private investment. Lastly, the Government expects that the large private companies which dominate the economy,
especially in sugar and petroleum, will co-operate in achieving the development goals of the nation.

It is almost certain that Trinidad and Tobago will continue to attract, and indeed will increasingly attract, foreign private capital in view of its political stability and its favourable economic prospects. In this context, planning becomes largely a question of the Government and its agencies stressing the investment of private capital in industrial projects which are considered to be in line with the desired over-all pattern of development.

The third limitation, namely, the highly open nature of the economy, constitutes perhaps the greatest limitation to national planning. In view of the dominant role of petroleum exports in the economy, planning in this area resolves itself largely into a question of co-operation between the Government and the oil companies in setting feasible goals.

2. Approach to the 1964-1968 plan

A five-year period has been chosen for the new plan, on the grounds that the various programmes and policies to be instituted cannot have any significant impact in a shorter period of time. In addition, several major capital projects in the public sector which have a long period of gestation are contemplated, for example, electricity, port development and the southern highway. The five-year plan has not been set against a longer-term background of broad economic projections, because it did not prove possible to forecast trends in the petroleum sector after 1968. It is, however, intended in the near future to begin the formulation of such long-term economic projections, and to undertake perspective plans relating to various sectors, particularly education, in the light of various demographic assumptions.

It is fortunate that a start is being made on the preparation of the new physical development plan during the year when the new economic and social plan is being prepared. The physical development plan will provide a basis for regulating the use of land in the national interest. The preparation of this plan is being undertaken in accordance with the provisions of the Town and Country Planning Ordinance of 1960, which also provides for the control of all land and building development through a system of planning permits. The fact is that comprehensive town and country planning is a stark necessity in view of our rapidly increasing population, our increasing degree of urbanization and our limited land resources.

As a basis for making projections, the economy was divided into eighteen production sectors and into four sectors of final demand, and a modified input-output matrix was used for analysing transactions between sectors and with the outside world. The key forecast was the forecast relating to exports from the petroleum sector; and a highly iterative method was employed to ensure the consistency of the projections through the use of economic relationships and accounting identities. An attempt was also made to forecast changes in employment levels by major sectors, by applying assumed changes in productivity to projected changes in output.
D. ORGANIZATION AND MACHINERY FOR PLANNING

The Government has established machinery for planning at the level of both the public sector and the private sector. The National Planning Commission has been established as the supreme planning body for the public sector under the Cabinet. The functions of the Commission have already been described.

1. Role of ministries in planning

The government ministries and other agencies of government are responsible for carrying out the public sector part of the plan, the role of the Commission and its secretariat, the Ministry of Planning and Development, being to evaluate the progress of implementation. This reflects a basic principle of Cabinet government, namely that ministers and their ministries are responsible for particular fields, and also the practical consideration that it is the ministries which have the staff to implement the programmes. Both principle and expediency also require that the ministries themselves should play a part in formulating the plan, since they are familiar with the specific problems within their own fields.

The basic structure to enable ministries to play an effective role in planning already exists. What is now required is a greater concentration and focusing of effort on the problems of development and planning which cannot be separated from the problem of administration, for once the government of a self-governing community has decided to pursue certain defined social and economic goals, the area of administration becomes co-terminous with the area of development and planning. Regarded in this light, planning is not a matter merely for the National Planning Commission and its secretariat, in the same way that, given individual ministerial accountability to Parliament for all expenditure of public money, proper budgeting and control of expenditure are no longer matters which are only of concern to the Ministry of Finance. Just as every ministry has to improve its efficiency in discharging its budgeting and expenditure control functions, so must every ministry now participate more fully in the planning process.

In the light of the above considerations, sectoral and project plans should originate as much as possible within the ministries. The National Planning Commission and its secretariat will be more concerned with over-all planning, co-ordinating ministerial plans and developing them into a coherent whole in the light of the economic and social objectives of the Government and available financial resources, and evaluating the extent to which the implementation of the plan is proceeding satisfactorily. In turn, the ministries themselves have an important role to play in reviewing the sectoral programmes submitted by the statutory bodies and local authorities under their control.

In particular, ministries and executing agencies will have to pay much closer attention to sound planning of individual projects. For it is only sound project planning that provides the means of checking projects at all stages of their execution and of studying the various factors which contribute to efficient execution. Close attention will have to be paid to all phases of engineering
projects, including feasibility study, requiring a preliminary report; detailed
design, requiring a detailed project report; execution, control supervision and
inspection of the work during construction; and the site engineer’s final report,
which includes the various indices of performance derived from costing and
statistical analyses.

2. Co-operation and consultation between ministries

In addition, sound planning (as well as sound administration) requires the
constant and closest consultation and co-operation between ministries; but the
exercise of such consultation and co-operation in turn requires the clearest
possible definition of the functions and duties of individual ministries, divisions,
and sections of ministries, and even of individuals. It is impossible to assign
responsibility unless functions are sharply and clearly defined.

One important aspect relating to the clarification of responsibilities concerns
the allocation of functions between the planning organization and the budgeting
organization. The composition of the National Planning Commission ensures
co-ordination at the ministerial level, since the offices of Prime Minister and
Minister of Finance, Planning and Development are held by the same individual,
and at the official level it has been recognised that the Ministry of Finance is the
budgeting authority of the Government and must, therefore, be concerned with
the annual capital budget, in respect of which the planning organization will
have to recommend priorities in terms of the fulfilment of the plan.

3. Improvement of planning machinery

It is clear that there is room for improvement in the government machinery
for planning. Since the same factors which make for good planning also make for
good administration, many of the proposals directly involve the improvement of
the administrative machinery.

The principal requirements for improving the planning and administrative
machinery of government are as follows:

(a) Fuller participation of ministries in the planning process;
(b) A clearer definition of functions as between the various parts of the
administrative machinery;
(c) Sound project planning with a view to better control of expenditure;
(d) Overcoming shortages of trained technical staff, especially engineers,
and the dissemination of administrative skills among non-technical officers.

It is proposed to make up for the deficiencies which now exist in the
following ways:

(a) The designation within each ministry and statutory board of
planning officers and planning committees whose function it would be to
formulate and oversee the execution of plans relating to the particular
ministry or statutory board;
(b) A clearer definition of functions;
(c) The institution of sound project planning procedures in ministries and agencies carrying out engineering and similar projects through the establishment of costing and statistical sections, through the preparation of project reports on all major projects for submission to the National Planning Commissions, and through better field supervision of the execution of projects;

(d) An intensive programme of in-service training for both administrative and technical officers, particularly with respect to financial control and development planning;

(e) A better system of progress reporting on plans and a recasting of annual departmental and ministerial reports to give more emphasis to the progress made in meeting the objectives of the plan;

(f) An attempt to make up for shortages of technical staff.

Two particular methods of making up for shortages of trained staff are the use of experts on short-term contracts under various technical assistance programmes and the use of engineering consultants.

Technical assistance is a most valuable form of assisting developing countries to secure the temporary services of highly trained manpower. The United Nations and its specialized agencies, and the Governments of the United States of America, Canada, the United Kingdom, India, Switzerland and Israel have been able to offer very welcome assistance to the Government of Trinidad and Tobago. On the other hand, while the use of technical assistance experts makes a very valuable contribution in the short term, the long-term solution to the problem of trained manpower is to be found only in the development of a cadre of indigenous personnel. The same considerations apply to the use of the services of foreign firms of engineering consultants. In addition, it has to be borne in mind that consultants' services can often be very expensive.

It should however be mentioned that it is not the only function of technical assistance to provide expert personnel. The undertaking of resource, economic and other surveys is an even more valuable aspect of technical assistance which serves the important purpose of assessing and improving knowledge about the human, economic and natural resources of a country. In this way technical assistance surveys supply a vital element of the planning process in developing countries.

E. MACHINERY FOR CO-OPERATION WITH THE PRIVATE SECTOR AND CITIZENS

Even in a plan confined to a list of public sector projects, it would be desirable to have the co-operation and participation of the general public, of private enterprise organizations and of the trade union movement, if only because the execution of a plan usually calls for the mobilization of efforts and resources, and even for making sacrifices in the present for the sake of the future. There is the additional consideration that, since resources are always limited in relation to needs, a plan must either explicitly or implicitly rest on a system of priorities; and a lack of appreciation by the public of the rational of
the plan may cause resentment when particular interests or individuals feel that certain programmes and projects affecting them closely were given a low priority. In the past no attempts were made to enlist the participation of the public and of organized groups in the formulation of plans.

In a more comprehensive programme establishing broad goals for both the public and the private sectors, the need for public co-operation with, and understanding of, the plan becomes imperative. This imperative is dictated by the nature of our economy, where the Government plays a limited role and where virtually all decisions relating to production, investment, savings and consumption are taken by the private sector.

Planning in Trinidad and Tobago must be of a highly permissive nature and cannot rest on Government fiat as in collectivist economies. It is necessary to encourage the private sector to meet certain broad goals through tax, credit and tariff incentives and through persuasion and exhortation by leaders of the community. The targets set out in the plan are, therefore, not categorical imperatives which will be imposed on the private sector, but rather objectives which the Government considers both desirable and capable of being met through the measures embodied in its plans and policies and through the enlightened self-interest of private producers.

1. *National Economic Advisory Council*

The private sector will be given an opportunity to assist in the formulation of the plan’s targets and goals through the National Economic Advisory Council, to which the plan was submitted. The Council consists of five members selected by the Business Advisory Council, five members selected by the Labour Advisory Council and two persons selected by the Government from such organizations as the district agricultural societies, credit unions, the Cane Farmers’s Association, small farmers’ associations, friendly societies and similar bodies. The Labour Advisory Council, consisting of fifteen trade-union officials and the Business Advisory Council consisting of fifteen representatives of commercial, agricultural and manufacturing groups, will advise the Government generally on all matters affecting the economic development of the country.

It will also be necessary to establish certain institutions in which the private sector will have to play a role side by side with the public sector.

2. *Involvement of rural communities*

Finally, further means must supplement these measures. The public relations apparatus of the Government has been brought into play and Government facilities on radio and television have been used to explain and present the plan to all groups in the community. Additional steps have been taken to keep the rural areas informed of the Government’s programmes. The Agricultural Extension Service has an important role to play here, as does the Community Education Centre, which publishes and disseminates information to the rural
population on the plan. For their part, small farmers have been given the opportunity of formulating proposals and helping themselves through the establishment of county agricultural development boards and the strengthening of such organs as village councils, agricultural credit societies and women's groups.

Democratic planning is a co-operative process involving the participation of every layer of government and society and of every individual citizen. Only to the extent that this conception is grasped and acted upon can national economic planning be fully successful in Trinidad and Tobago.
III

ADMINISTRATIVE PLANNING AS AN INTEGRAL PART OF THE PLANNING PROCESS
ADMINISTRATIVE PLANNING FOR ECONOMIC AND SOCIAL DEVELOPMENT IN LATIN AMERICA

By the Public Administration Unit of ECLA*

A. ECONOMIC PLANNING AND ADMINISTRATIVE PLANNING

It is generally agreed that in Latin America planning is necessary to accelerate the raising of economic and social levels to levels of greater well-being, since it must be a deliberate, consistent, and well-balanced change.

Public administration is part of the social structure which it is planned to change. In the developing countries, moreover, it is one of the social elements stimulating or arresting change, because it has a basic role in the whole process.

The improvement of present public administration levels as part of the development process also should be achieved through deliberate, consistent and well-balanced action.

In order to expedite such social change, the same principles of scientific analysis as those applied in accelerating social change in other areas should be applied to public administration. This is done by administrative planning.

Administrative planning is the continuing process whereby administrative goals are established for attainment within a given period through policies, plans and the efficient use of existing administrative resources, with the ultimate aim of improving administrative levels.

If the principles of scientific analysis are applied, administrative planning must begin with a thorough examination of the actual administrative situation. Alternative courses of action are then carefully programmed, the most feasible are selected and applied, their progress supervised and their deficiencies remedied, and the results are periodically and finally evaluated.

Administrative planning consists of plans, programmes and projects. When these form part of planned economic and social development, they should be an integral part of the development plans, programmes and projects in all areas subject to planning and they should have the same goals.

An administrative development plan is an integrated and co-ordinated group of administrative modernization programmes in a specific order of priority. They should be clearly defined and should include a statement of the purposes, objectives and targets, the policies, the resources to be utilized, the order of priority, the period covered, and the methods and procedures for efficient implementation.

* Document ST/ECLA/Conf.30/1.5.
An administrative development or modernization programme forms part of a plan consisting of an integrated and co-ordinated set of projects which is generally carried out in an administrative sector.

A sector comprises a whole group of administrative and ancillary activities which require integral and specialized treatment.

An administrative planning project involves the preparation and presentation of administrative data as a basis for choosing between alternative uses of administrative resources.

These elementary concepts regarding administrative planning are virtually unknown in most of the Latin American countries. A careful review of the over-all and sectoral development plans prepared in the region usually shows that very little thought has been given to this question.

Some countries are just beginning to make a study in depth of these policy and administrative aspects of development, and a few have succeeded in integrating economic and administrative planning.

It is encouraging to note that some of the studies on administrative planning in Latin America are the outcome of a serious effort to apply the principles of administrative theory to the national development process.

It must be admitted, however, that these principles have only recently been introduced into the scientific and professional spheres of these countries. In a few of the countries their validity is disputed; in others they are beginning to be applied somewhat sporadically; but in some instances these concepts have already made a valuable contribution to national progress.

This is understandable in so large a region as Latin America, with its wide range of political and social nuances. It is the course which all new disciplines have to follow before they can become firmly established.

B. THE OBJECTIVES OF ADMINISTRATIVE PLANNING

An examination of the evolution of public administration in the Latin American countries reveals that in every one of them, throughout their existence as republics, there have been many changes in the division of authority and responsibility among the different branches of the State, and that government institutions and functions have been established, reorganized or discontinued with great frequency. That is how governments grow.

Until a few years ago in some countries, and right up to now in others, these changes have evidently not been brought about by a consistent expansion and reorganization plan, but have simply reflected additions to the existing structure. It was not until a few years ago, when administrative planning was introduced as a government function, that some countries began to show signs of more consistency in their decisions on administrative reform. Nevertheless, these signs, although significant, are still the exception rather than the rule.

In some cases the only aim of administrative reform was to increase the effectiveness of government action and to overcome obstacles that were fairly easy to identify. The implications of these changes for national development were taken into account only indirectly, and the reforms were quite unrelated to economic and social programming.
In such cases, administrative reform was advocated as an aim in itself and administrative planners were actuated solely by enthusiasm for the new principles of rationalization underlying the administrative theory that had been recently introduced into the scientific and technical spheres of their countries.

Recently, because of the importance assumed by economic and social planning, and because of the administrative obstacles such planning has encountered, an attempt has been made to co-ordinate administrative planning with economic and social planning. Thus, its objective is changing, and instead of being an end in itself, administrative planning is gradually becoming a useful element in the development process. This new trend represents an attempt to apply the principles of administrative theory to the countries’ development efforts.

The new approach has greatly influenced the content of present programmes of administrative reform. Formerly, the establishment, modification or elimination of ministries and public institutions were studied with the aim of reorganizing and grouping similar functions and facilitating co-ordination within each institution. Their efficiency in handling a new State function was the basis on which autonomous bodies were set up or abolished. The governments sought to introduce financial management procedures which would yield more revenue to finance their traditional activities, and they tried to improve their supervisory procedures in order to reduce tax evasion.

The linkage of long-term administrative planning with economic and social planning provided an entirely new approach. It was aimed at achieving maximum efficiency in the use of administrative resources at all stages of economic planning with a view to accelerating development, and increasing the productivity of inputs so as to increase the output of goods and services. This type of thinking gives administrative planning a new raison d’être, and its usefulness can be easily appreciated.

C. ACCEPTANCE OF A NEW PROCESS

Latin America’s experience of administrative changes linked with economic and social development is relatively recent. Formerly, any decisions relating to reform nearly always resulted in sporadic action to reorganize isolated segments of the State machinery in order to solve certain obvious and easily identifiable problems of governments with a fairly simple structure and the traditional services of a liberal State; but the situation has changed in the last few decades. Countries have started on the path leading to development, and the State has become the motive power of this process and the major supplier of goods and services. To fulfil its new function it has become an increasingly complex entity.

The new functions and duties gradually assumed by the State could not be carried out immediately and smoothly by a State machinery which was not prepared to take on those tasks. The transition from a traditional State to a new, dynamic and flexible State which will act as a guide, promoter and executing agency for development purposes should be slow, since the change involves not only economic but also political and social issues. All social change takes time
because it implies a change in attitudes, customs and habits which are deeply rooted in society.

The process of political and social evolution towards a modern State capable of solving Latin America's serious development problems has been deliberately accelerated. The adoption of planning by nearly all the countries of the region is a significant step forward towards the modernization of their administration, since planning is designed to rationalize policy and action. It is intended to ensure that the best possible use is made of the resources of a country or a region with a view to achieving a faster growth rate and improving the social and economic levels. Nevertheless, it was hardly to be expected that a discipline based on rational and efficient methods could easily be introduced into government sectors which were usually inefficient because inefficiency is a feature of under-development. No social change is ever achieved without overcoming obstacles.

Opposition and resistance to planning and change have frequently come from the traditionally powerful political and financial groups inside the government itself, which often have a decisive influence in framing State policy. "This discipline entails, both for political leaders and for civil servants, a severe limitation on the leeway for negotiation and influence available to them for strengthening their political positions." ¹

The problems which have delayed the acceptance of planning in Latin America cannot, however, be blamed entirely on the resistance to change and the distrust of the conservative politicians. Planners should ask themselves also whether a good many of the obstacles may not have been created by their own lack of experience in handling a new and complicated procedure. All too often, planning has been highly theoretical, involving the use of models and other technical methods which were often over-complicated for use without an adequate amount of information in primitive economies.

The political cost of choosing one economic proposal in preference to another has often been ignored, regardless of the fact that it is the politicians who take government decisions.

Nevertheless, despite initial opposition and the mistakes of the planners themselves, planning has made a valuable contribution to progress in the region. Already in several countries there is a greater tendency to make a detailed study of possible courses of action before the adoption of important government decisions. This analysis is often performed by planning offices, which have been set up in the last few years in nearly all the countries of the region. Without the establishment of planning institutions, the governments could not have carried out their essential task of giving directives.

A start is being made also with the co-ordination of government action in governments where, until recently, sectoral decisions were adopted on a unilateral basis.

Moreover, planning gave new groups of specialists and leaders with an increasing influence on the framing of State policy access to the government.

Their above-average level of education and constantly increasing fund of experience are bound to make for more efficient government action as they themselves become surer of themselves and more mature.

Planning experience in the various Latin American countries is not all so encouraging. There are some notable exceptions where planning has retained its initial rigidity. Although in some cases the first milestone — institutionalization — has been passed, planning agencies “have remained somewhat aloof from the administrative mainstream and this trend has had to be halted. Very often the rest of the administration continues to operate on the old patterns; decisions are taken without proper liaison with the policy-making machinery.”

Unqualified optimism is therefore ruled out. There is still a long way to go before planning is really fully accepted in Latin America.

D. THE STRATEGY OF ADMINISTRATIVE PLANNING

One of the most important points to define in administrative planning is the strategy to be used in introducing government modernization measures and really achieving the social changes required. In spite of its importance, this strategy has been little discussed hitherto and, in many cases, those who are pressing for reform do not seem to have attached much importance to studying a strategy or to earlier proposals for reform.

Should total reform be attempted or should it be progressive and partial? Should it begin with the modernization of the central government in order to improve its capacity to formulate and guide economic and social development policy, or should efforts be concentrated on the decentralized autonomous bodies of the public sector, which are in a position to carry out programmes and projects more independently and flexibly? Or should the emphasis be on municipal governments, whose services have a direct impact on the well-being of the community? Should the reform be backed by broader powers than those normally held by a constitutional government, such as emergency powers requested for the executive, i.e., vertical action from the top downwards to break down resistance, or could it be carried out through the inculcation of new ideas for which support would be enlisted among the social groups represented in the government, particularly at the grass-roots level? Would it be best to await a favourable political situation before starting on modernization or should this be an eminently specialized process altogether removed from the political scene, in which other means, such as the budget and the national development plan, would be used to introduce the changes?

All these and many other questions are of basic importance for the success of administrative planning. Yet a review of the reforms attempted in the region gives the impression that in many cases the strategy had not been properly analysed and was not sufficiently clear-cut. At times there were a number of factors favourable to the reform movement which seemed likely to ensure its success: government support, financial resources, local trained personnel,

\[1\] Ibid.
sufficient external technical assistance, and public interest; nevertheless, after a promising start, the programme lost its impetus and came virtually to a standstill or even ceased altogether. Why did this happen? Often because there was no clearly defined long-term strategy attuned to the political and social set-up of the sector that was being modernized.

Some of the plans of administrative reform in Latin America devote only a few lines to this vital point. Others omit it altogether, possibly because it had not been properly analysed.

In one plan it is stated that priority will be given to strengthening executive capacity. This will entail the reorganization and modernization of traditional methods, and specific organizational and staffing improvements in order to carry out new public functions. High priority will be given to the introduction of administrative and executive improvements with a view to carrying out the additional public functions envisaged. Although the aim is to effect improvements at all levels, it will be necessary to select certain key areas and concentrate on making substantial improvements in their administration and organization. These could serve also as a starting-point for other improvements.3

In other words, the objective of the plan is to increase the government’s executive capacity by improvements in working methods, organization, and staff; this would be attempted at an over-all level, but would begin by a concentration of efforts on points which might have a multiplier effect on reform.

In another case it is stated that economic progress is largely dependent upon a sound administration and it is a matter of urgency to promote the legal, structural and methodological reforms required to provide the country with a suitable and efficient administrative machinery. Reforms are necessary and should be carried out; there is general agreement regarding the urgency of an all-out attack on bureaucracy and the inefficiency of the State administrative machinery, because it is recognized that an administration which is sound in structure and can perform guiding functions is a prerequisite of development. The crux of the problem seems to be the philosophy underlying the actual reform, namely, the character, strategy, methods and scope of the reform itself.

The term “thorough reform”, which is considered to be of basic importance for economic and social development, must be interpreted as a complete overhaul or modernization of the administrative machinery and its components, both human and structural. Reform does not mean that a dynamic modern structure concerned with economic procedures will be added to or superimposed on the traditional bureaucratic administrative structure, but rather that the existing structure will be altered and improved. It is not simply a question of reorganization, of subdividing, merging or eliminating offices, improving working methods, mechanizing, rationalizing, and effecting budget savings, or reducing staff. Although all this is necessary, it would not be enough, or the results would not be lasting, unless all the other elements which give life and substance to the

State administration are also taken into account. Thorough reform means a complete change of attitude at all levels.  

In this case the strategy conceives a large-scale over-all and integral movement to reorganize all the components of public administration in a sweeping social reform.

Another administrative modernization plan states that it is necessary to undertake an over-all programme for improving administrative sectors that are vital for economic development, where up-to-date administrative techniques may have most effect in solving the most pressing problems.

Although a partial solution adopted in one administrative sector might be far-reaching and have favourable results, it could hardly set the whole government on the path of reform. Reforms cannot be made separately or haphazardly, without co-ordination or an over-all approach, for there would then be a risk of merely transferring problems from one sector to another.

Substantial changes in a country's public administration can be achieved only by tackling simultaneously all the obstacles in their way and basing the reform on administrative planning embracing all sectors.

This represents over-all reform, though limited to public administration sectors which are important and have direct influence in the development process, modern techniques being applied wherever they may have the greatest impact. Balance and consistency are achieved by administrative planning.

Brazil is perhaps one of the few Latin American countries where the strategy for administrative reform has been studied in the light of experiments which have been carried out over a sufficiently long period for it to be possible to make a valid examination of trends over three decades.

In 1937 one of the most interesting reforms witnessed in the region took place in Brazil, with the establishment of the Administrative Department of the Public Service (Departamento Administrativo do Serviço Público – DASP). Following a special strategy, the executive functions were centralized in this department and were gradually converted into stringent controls in an endeavour to institute a vertical reform from the Office of the President of the Republic downwards to all other government levels.

Some claim that “it was the selection of a strategy of control and centralization that led to the failure of administrative reforms, and to the downfall of DASP, conceived to be the vehicle of reform. The agency became a target for hostility and frustrations, both political and administrative. Considerable conflict with government agencies resulted, especially with the Ministry of

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4 National Office for Rationalization and Training in Public Administration (Oficina Nacional de Racionalización y Capacitación de la Administración Pública – ONRANAP), Diagnóstico de la Administración Pública Peruana y Propuestas de Reforma (Lima, Perú, 1965), pp. 2-3. The proposals for reform contained in this document have been developed in the “Plan of action for the reform of the Peruvian public administration” (see below, p. 323).

Finance . . . [because of] its rigid adherence to the merit system and other structures."

The DASP reform was authoritarian in character and was carried out by a technical elite which for a long time held a monopoly of the skills that were the ideological basis of the reform. It was not a process in which new ideas spread to other government levels, which is perhaps, why it failed.

The use of an authoritarian rather than a persuasive strategy explains why the administrative reform movement in Brazil was most successful only under exceptional political conditions, and why it suffered its most serious setbacks after the democratic system was re-established.7

It is worthwhile considering whether or not this strategy was conscientiously applied, or whether in fact no proper strategy was worked out, and it merely grew out of the needs and pressures of the political and social period through which the country was passing when DASP was organized.

This is not the only case where, for want of a clear flexible strategy that might be easily applied under the social, political and economic circumstances prevailing in a country, the invaluable efforts to modernize the administration were not so fruitful as might have been expected.

Latin American experience shows that administrative planning should definitely include a careful examination of the strategy to be used, because of its importance for the success of reform programmes.

E. METHODOLOGY

Administrative planning should be carried out on systematic lines. It should start with a careful examination and analysis of the public administration in order to determine its structure and problems. These problems should then be quantified, and classified by order of importance. How can reforms be introduced without a clear knowledge of what has to be reformed?

The next step is the over-all programming of the reform. This involves the establishment of general objectives and policies, linking one sector with another, estimating the resources required, assigning priorities, and choosing a long-term strategy for achieving the proposed objectives.

This is the frame of reference for medium- and short-term action.

Next comes the sectoral analysis and programming of the administrative reform, beginning with the priority sectors in the national development activities. Since each sector is programmed as part of a fairly uniform and consistent whole, they are not separate compartments acting independently of

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each other. In certain areas, a network of interrelationships makes it impossible to draw a clear dividing-line between them. These interrelationships should also be determined, analysed, and taken into account in sectoral administrative programming.

Once a clear view is obtained of the over-all and sectoral administrative pattern, the reform should be initiated by carrying out specific well-prepared projects correctly in each sector.

Rarely do favourable situations arise where all the political, social and economic factors permit the launching of an over-all administrative reform programme that is likely to be successful within the short or medium term. In most cases, because of the wide sphere of action, the obstacles to be overcome, and the shortage of human and financial resources, it is advisable to undertake reforms wherever they are most urgently needed, especially in areas which, in turn, may become nuclei providing the driving force for broader, more far-reaching and more dynamic reforms.

This is no haphazard attack on isolated areas. The goals at this stage are those established in the over-all administrative plan — the general frame of reference for partial action — and they are pursued by means of clearly defined sectoral programmes. Reform generally has to start with whatever projects are politically and administratively feasible, and therefore have the best chance of success; the resources available must be used rationally so as to produce a multiplier effect which will speed up the reform.

Political, economic and social circumstances will also influence progress in carrying out plans of administrative reform. There will be times, more favourable than others, when reform will forge ahead. With no more than a ready-prepared outline of systematic action, it should be possible to make full use of those generally fleeting moments, which are often wasted because programming is not begun until they are actually there, or, worse still, because action to modernize the administration at the over-all, sectoral or project level is initiated without any proper programming, and without clear-cut goals or adequate resources, with the discouraging results that may be expected.

The programme of action should remain flexible throughout its implementa
tion. It is vitally important to appraise the progress of the reform, by making periodical comparisons with the original plan. Adjustments must be made to the original over-all and sectoral scheme with the emergence of new factors which cannot easily be foreseen at the outset. In other words, the original plan must not be rigid. On the contrary, because administrative reform is a dynamic process and because it must be carried out in the political and social sphere, action to achieve it must always respect the principle of innovation inherent in a constantly changing society.

This does not mean that the original plan should be abandoned or so altered that it will be rendered completely useless. On the contrary, by keeping the situation under constant review, and supervising and adapting the programme, it should be possible over the short, medium or long term to achieve the original objectives, which, taken together, amount to nothing less than nation-wide administrative reform.
F. RESOURCES

1. Human resources

The need for skilled manpower to carry out supervisory functions has been widely recognized by development planners. Practically all the Latin American universities have faculties of economics which train economists for the civil service. These specialists and other groups of technical experts have aroused interest in development planning in the countries of the region and secured the increasing adoption of this procedure in a number of cases, thereby making a valuable contribution to progress in their respective countries.

As planning evolved, it was found more and more necessary to make it an inter-disciplinary procedure, not only at the over-all level of programming but also at the sectoral level and that of project formulation and implementation. In recent years, a growing number of doctors, engineers, architects, educators and sociologists have received training and carried out worth-while experiments in planning.

ECLA (since 1950) and the Latin American Institute for Economic and Social Planning (since 1962) have done useful work in training a growing number of Latin American planners, who now hold key positions in their countries' development activities.

Administrative planning, like economic planning, requires skilled personnel. Without properly trained staff it is impossible to carry out specialized studies or suggest solutions for complex problems which, as has already been said, cannot be solved by goodwill alone.

Analysis in the administrative field is based on specialized investigation of the components of the administration and of the political, economic, and social environment in which they operate. The shortage of qualified administrative staff is the reason why "too little research has so far been done on the exact role of the administration in the development process to have a clear indication as to what kind of administrative organization, structure, and procedures might be most appropriate". 8

Nevertheless, no great effort has been made in Latin America to train technical experts in administrative reform. Little importance is attached to it and negligible resources are appropriated for the purpose. The reason is that this subject does not lend itself to spectacular political action likely to reap immediate benefits. The whole problem is so vast that immense financial and human resources are needed to resolve it, and few governments have had the courage to tackle the problem with energy and decision.

Several countries have virtually no specialized administrative personnel of their own and they try to fill the gap with foreign specialists who do not have the thorough knowledge of the real political, administrative and cultural situation which is essential to the planning of administrative reform.

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Even technical planning agencies in most countries lack skilled personnel. This is one reason why they have so often failed to make a serious study of the administrative problems of development and there has been no detailed evaluation of the operational capacity of public institutions to ascertain whether or not the agencies concerned were really capable of implementing the proposed plans, programmes and projects. It seems to have been taken for granted that they operate efficiently, although it is plain that the national public administrations are actually out-dated and inefficient.

It is not always realized that development planning goes far beyond simple economic planning, and that political, cultural and social factors, which have far more subtle and unpredictable implications than economic factors, have an important part to play in it. The social and political factors include administrative factors, which are not confined, as some planners appear to believe, merely to adapting the administrative structure to programme and project requirements but are much more than that, i.e., complex problems of social change.

If the central economic planning agencies in Latin America, with few exceptions, still lack skilled administrative personnel, the problem is even more serious in the case of sectoral agencies and regional and municipal programming bodies.

However, the following signs indicate that the present serious situation may be expected to take a turn for the better:

(a) The recognition, in several national development plans and other documents on development planning, of the importance of administrative analysis in dealing with the administrative problems encountered in all phases of the planning process, and especially during implementation;

(b) The growing idea that administrative problems, like any other complex development problem, should be dealt with by skilled personnel, whose activities should form part of an over-all inter-disciplinary effort;

(c) The knowledge and analysis of the results of the first experiments in administrative planning carried out in certain countries, which, though not all satisfactory, are exceedingly useful;

(d) The entry into the civil service of the first graduates in public administration from institutions of higher education, which in some countries have started to promote programmes of reform.

It is interesting to note that this growing interest in administrative reform has been accompanied in the last few years by the organization of administrative training centres in most countries of the region, as shown in table 1. Since this also is a recent movement, the training facilities are not yet fully developed.

The main difficulties may be summed up as follows:

(1) Training programmes are seldom based on a proper diagnosis, analysis, and quantification of the kind and amount of training still needed for civil servants.

(2) Training is often given haphazardly and without establishing essential priorities according to the needs of development plans, programmes and projects.
Table 1
PUBLIC ADMINISTRATION TRAINING INSTITUTIONS IN LATIN AMERICA AND THE CARIBBEAN AREA

<table>
<thead>
<tr>
<th>Country</th>
<th>Institution</th>
<th>Agency</th>
<th>Location</th>
<th>Year established</th>
<th>Executive</th>
<th>Professional</th>
<th>Postgraduate professional</th>
<th>Short in-service courses</th>
<th>Public administration</th>
<th>Business administration</th>
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### Table 1 (continued)
PUBLIC ADMINISTRATION TRAINING INSTITUTIONS IN LATIN AMERICA AND THE CARIBBEAN AREA

<table>
<thead>
<tr>
<th>Country</th>
<th>Institution</th>
<th>Agency</th>
<th>Location</th>
<th>Year established</th>
<th>Type of training</th>
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<td>Paraguayan School of Public Administration</td>
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<td>National Office of Public Administration</td>
<td>Lima</td>
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<td>College of Arts and Sciences</td>
<td>St. Augustine</td>
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<td>Caracas</td>
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</table>

**International Programmes**

| Central America and Panama | Government of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama, and United Nations Special Fund | Central American Institute of Public Administration (ICAP) | San José, Costa Rica, and courses in the different participating countries | 1954 | X | X | X | X |
| Latin America | Government of Brazil and Inter-American Development Bank (IDB) | Inter-American School of Public Administration | Rio de Janeiro, Brazil | 1964 | X | X | X |
| Latin America | Latin American Faculty of Social Sciences (FLACSO), Latin American Governments, UNESCO and IDB | Latin American School of Political Sciences and Public Administration | Santiago, Chile | 1966 | X | Courses being organized |
| Latin America | Government of Argentina and Organization of American States (OAS) | Inter-American Centre for Training in Public Administration (CICAP) | Buenos Aires, Argentina, and courses in the different participating countries | 1966 | X | X |
(3) Since there is no research into or analysis of the training, very general courses are given to persons who often have no opportunity of applying the knowledge they acquire.

(4) Almost nothing is known about the type of training that should be given at the different levels of the public administration.

For example, it is expected that specialists or executives capable of framing policy and directing micro-analysis and administrative reform activities can be trained through short in-service courses although it is doubtful that this type of training programme "can provide a comprehensive understanding of the development field. This requires a solid academic course as early as possible in the career, and continuous study and experience throughout the career." 9

(5) In several countries there is no university education in public administration. It is therefore impossible to find specialized personnel with enough training to undertake planning or to form the necessary number of well-trained university teachers.

(6) There is often complete ignorance of the difference between academic training in the science of public administration and in-service training. Although both are essential and complementary, it frequently happens that only the second type of training is used to make good the shortage of human resources for administrative development.

The Latin American countries need a type of personnel that is in very short supply in the region: the university-trained professional administrator, who is capable of advising the government on the administrative reform policies to be included in the development programmes, and of assuming an executive post in the public sector. A specialist of this kind should have a broad understanding of the new concepts of economic and social development, and should be able to relate them to the political and administrative principles underlying the management of the business of the State. He should also have a wide knowledge of the political and social sciences, and a solid grounding in economic theory, and be thoroughly versed in modern administrative techniques. Such a specialist cannot be trained by taking short courses now and again, but must be trained in an institution of higher education if he is to acquire a thorough knowledge of the above-mentioned subjects.

(7) In several countries whose universities have schools of public administration, the curricula are entirely unrelated to national development needs or to the technical and professional level which should be attained by graduates from institutions of higher education. These institutions therefore turn out only medium- or low-grade personnel without much technical training.

(8) Academic education in public administration cannot take the place of in-service training, however. The aim of the latter should be to provide quick training in a particular technique which can be applied immediately and make the trainees more efficient and productive in the jobs they are already doing.

(9) In-service training also leaves much to be desired. Programmes are often organized without considering priorities and without allocating the resources to the sectors and levels where the best results could be obtained.

9 Robert S. Parker, "The case of a highly undeveloped country", Education for Development Administration, op. cit., p. 73.
(10) In-service training has been conducted more on the lines of courses for staff in subordinate positions. The countries have had little or no experience in training executive and supervisory staff, who are so important for national development. However, in spite of these initial shortcomings, it is encouraging to note the growing number of training institutions that are being established and the first-fruits of their activities in Latin America. Intensive work in this field is now being done in a number of countries; the first groups of specialists are graduating from the universities; in-service training institutions are studying ways and means of improving their programmes. All investment and efforts in this field have a far-reaching multiplier effect.

The profession of skilled administrator is a new one in the area, but the industrial revolution that is taking shape in Latin America has created a need for specialization which has given rise to new occupations. This trend has been reflected in government, where more and more specialists are being employed in practically all spheres of government action, including the up-to-date administration of the government itself.

In addition, more qualified administrators will be needed also in private enterprise in those Latin American countries which manage to step up the rate of their industrial development. There are already several areas in which private enterprise is beginning to draw qualified administrators away from the public sector and giving the government stiff competition in the labour market.

2. **Organizational resources**

It is an accepted fact in specialized circles that planning must be backed by an organizational machinery which will guarantee that it will be a permanent feature and a continuing activity of the public sector.

Most Latin American countries already have a central planning office, located in different parts of the government structure. There is also a recognized need and a move to establish sectoral planning units which will carry out this function at the ministerial level, and the intention is for them to operate in a co-ordinated fashion under the guidance of the central office.

Consideration has also been given in recent years to the necessity of setting up regional planning institutions with a view to decentralizing planning and bringing it more into line with actual geographic and social conditions, while using it to co-ordinate local or municipal development activities in each area.

Just as economic and social planning must operate through the appropriate institutions to make it a lasting, dynamic, and continuing process for guiding the countries' economic and social life, administrative planning should also be institutionalized, since it is equally important for the efficient operation of the planning agencies which formulate and implement development plans and programmes.

Moreover, even if there were no economic and social planning and development were left to the free play of market forces, there would still be a justification for administrative planning to increase the productivity and efficiency of the public administration.
If the institutionalization of economic planning is still very recent and incomplete, that of administrative planning is even more so.

There are very few specialized bodies in the region for carrying on administrative planning systematically and relating it to economic planning. Some countries have made great strides in this direction, and have established units for administrative planning in their central planning offices; others have experimented with locating these units in the Ministry of Finance, usually under the budget office. Others again have set them up directly under the Office of the President of the Republic, following the same institutional set-up as for economic planning.

It is only in exceptional cases and somewhat sporadically that administrative planning has been co-ordinated with economic planning. Even where it comes under the jurisdiction of the central planning agency, it has been extremely difficult to integrate the two functions or to arrive at any understanding between the technical staff of the economic branch and the administrative branch.

Some countries have gone a step further. In an effort to integrate the two functions with each other and with higher executive functions, such as budget management, staff management and statistics, they have recently combined them in an institution which is usually known as the Technical Bureau of the Office of the President, where a high-ranking government official is responsible for co-ordination.

These experiments are still too recent and their results too dissimilar to show whether such organizational measures will really serve to promote understanding and co-ordination in respect of administrative and economic planning. First impressions suggest, however, that much more is required than the establishment of integrated structures to introduce some kind of coherence between these functions. It must be made clear that a particular form of organization or the introduction of structural changes is no guarantee, in itself, of success in administrative planning. Organization and integrated structures help to achieve successful results but they cannot bring them about alone. A sweeping change in the attitude of administrative planners is necessary also; it may come with the advances being made in the theoretical disciplines upon which their work is based, and with more experience in applying them, as the planners meet with serious problems and discover that the best way to deal with them is through inter-disciplinary action.

As shown in table 2, the organizational trends followed by countries which have established institutions for administrative planning may be grouped as follows:

(a) "Central agencies at the sectoral level"

In some Latin American countries, the central agency for administrative planning has been placed in one of the most influential sectors of the public administration, usually the Ministry of Finance, under the budget office.

This trend started mainly as a result of the desire of the Ministries of Finance to reduce operating costs in the public administration, and it was based on the principle that, through their budget offices, they should exercise control over the public funds and turn them to better account.
Table 2
LOCATION OF CENTRAL ADMINISTRATIVE PLANNING AGENCIES IN THE GOVERNMENT STRUCTURE IN LATIN AMERICA

<table>
<thead>
<tr>
<th>Country</th>
<th>At the sectoral level, in a Ministry</th>
<th>In a bureau of the Office of the President</th>
<th>In the planning authority</th>
<th>In a technical department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>X</td>
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<td></td>
<td></td>
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<tr>
<td>Bolivia</td>
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<tr>
<td>Brazil</td>
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<tr>
<td>Chile</td>
<td>X</td>
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<tr>
<td>Colombia</td>
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<tr>
<td>Costa Rica</td>
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<tr>
<td>Dominican Republic</td>
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<tr>
<td>Ecuador</td>
<td>X</td>
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<tr>
<td>El Salvador</td>
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<tr>
<td>Guatemala</td>
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<tr>
<td>Guyana</td>
<td>X</td>
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<tr>
<td>Honduras</td>
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<tr>
<td>Mexico</td>
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<tr>
<td>Nicaragua</td>
<td>X</td>
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<tr>
<td>Panama</td>
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<tr>
<td>Paraguay</td>
<td>X</td>
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<tr>
<td>Peru</td>
<td></td>
<td>X</td>
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<tr>
<td>Uruguay</td>
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</tr>
<tr>
<td>Venezuela</td>
<td>X</td>
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</tbody>
</table>

* a Being established.
* b In Brazil, administrative planning was a function of the Department of Civil Service Administration (Departamento Administrativo de Servicio Público - DASP) from 1937 to 1966, passing thence to the Ministry of Planning in 1967.
* c There has been a Planning Office in Ecuador since 1962; it was attached to the Technical Bureau of Administration in the Office of the President of the Republic from 1963 to 1965, and subsequently to the Ministry of Finance.

They subsequently sought through this function to streamline the financial sector in order to facilitate activities such as tax collection and control, customs operations, the provisions of supplies for government activities, the mechanization of public accounting, and, in particular, the budget process.

Some countries believe that administrative planning is no more than a fairly useful auxiliary instrument for budget programming and execution; and indeed, in most cases where the central administrative planning bodies form part of the national budget service, that is really what they are. They perform administrative micro-analyses of budgeting methods and procedures and operate almost exclusively on a short-term basis.

Because of their status, they are unlikely to have much influence on the rest of the public sector. Other ministries seldom accept suggestions for streamlining the administration from a body with no more authority than their own; and they are even more reluctant to allow the technical staff of another ministry to take part in or investigate their operations.

In these circumstances, there is little likelihood that the appropriate institutions for administrative planning can be set up in other government sectors to form an integrated system like that used for economic planning, i.e., a central nucleus with regulatory, guiding, co-ordinating, and evaluating functions,
and regional and local sectoral units whose functions would be subordinate to those of the central agency.

Even where planning facilities have been established in other government sectors, there is little chance of their exercising influence from a ministerial position.

Nevertheless, there are some favourable points about this system. If a central administrative planning agency succeeded in overcoming the disadvantages of its position and produced long-term reform plans and programmes which had the President’s support, it would be in a good position to introduce them on the basis of the budget process. There is enormous bargaining power implicit in the preparation, discussion, and adoption of the budget, although in Latin America administrative planners have not yet managed to use it to achieve the reforms they are seeking to introduce.

The procedure of centralizing administrative planning in one sector, usually the Ministry of Finance, has been adopted by the following countries of the region:

<table>
<thead>
<tr>
<th>Argentina</th>
<th>El Salvador</th>
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<tbody>
<tr>
<td>Bolivia</td>
<td>Guyana</td>
</tr>
<tr>
<td>Brazil</td>
<td>Honduras</td>
</tr>
<tr>
<td>Chile</td>
<td>Nicaragua</td>
</tr>
<tr>
<td>Ecuador (also in the case of over-all planning)</td>
<td>Paraguay</td>
</tr>
</tbody>
</table>

(b) Central agencies directly under the Office of the President of the Republic

The establishment of an administrative unit directly under the Office of the President is consistent with the classic administrative principle governing the location of supervisory functions in the government structure.

The supervisory functions include advisory and regulatory functions, programming, co-ordination, technical control, and appraisal.

They support the action of high-level executives, providing a means for more efficient decision-making and a more consistent direction of the complex operations of modern government. “At the higher levels of administration, the administrators need many highly specialized administrative services. At the highest levels of central government administration, administrators face environmental challenges of enormous complexity and must call upon specialist services of increasing complexity.”

Administrative planning, like economic planning, is clearly a supervisory function. It should accordingly be institutionalized broadly along the same general lines as economic planning.

Administrative planning is located close to the higher executive offices not only because of the assistance it gives them but also because, like economic planners, the administrative planners need support if they are to carry out their programmes and projects.

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This position also gives administrative planning equal functional authority over all government sectors, provided that it has the backing of the senior executives it serves.

Although in theory this position should facilitate co-ordination with economic planning, since the two functions would have the same administrative status, this has not been the case in practice.

Some of the factors that have kept the two government functions apart may have been the different degree of scientific development on which they are based; the marked gap between the level of professional training given to economic planners and to administrative planners, which has only recently been partially closed in some countries with the establishment of university schools of administration; and the fact that economic planning procedures are more advanced.

There is an evident lack of communication between economic planners and administrative planners, even though the two functions are interdependent and complementary, since while economic development planning establishes what should be done to attain the highest possible degree of well-being in a society as a whole, administrative planning indicates how it should be done, i.e., what administrative instruments are required. The former fixes the target and the latter the course of action and the operational procedure. Economic planning sets a goal far ahead, while administrative planning indicates the modus operandi. 11

Nevertheless, the disjunction of the two functions is observable even in countries which have endeavoured to integrate them in a single agency. It should not be thought, therefore, that their dissociation is due only to structural factors; it is also due to other difficulties of a social, professional and psychological nature which are much more complex and difficult to solve.

Colombia, Peru and Venezuela are the countries which have established administrative planning bodies under the direct authority of the Office of the President. In Mexico, administrative planning is initiated by the Ministry of State attached to the Office of the President. Because the special functions of this ministerial agency are to support and serve the Office of the President, it is in fact functionally closer to that Office than the other ministerial bodies.

(c) Integration of economic planning and administrative planning

Some countries which were quick to discover the interdependence of administrative and economic planning and the vital importance of integrating them have combined the two functions in a central planning agency.

Joint action and teamwork by specialists in the two branches of planning have produced encouraging results, particularly in those countries which were among the first to prepare development plans that included programmes of administrative reform to ensure that the plans themselves could be implemented.

Ecuador followed this course, establishing an office for administrative planning in the Planning Department in 1961. This office was most active in

preparing a programme of government reform, which was included in the first over-all economic and social development plan for 1964-1973.

In Argentina, too, the structure of the National Development Council (Consejo Nacional de Desarrollo – CONADE) in the Office of the President provides for an administrative planning unit, which has yet to be incorporated.

Two countries have gone a step further by integrating three supervisory functions in the central planning agency: economic planning, administrative planning, and budget management. The aim was to achieve direct co-ordination of the budget with the other two functions and make it an instrument that would effectively translate development and administrative reform plans into financial figures.

Costa Rica is at present the most go-ahead example of this trend. It has a well-established institutional framework for economic planning at both the central office and the sectoral level. The co-ordination between the budget and the plan is outstanding. Yet administrative planning, particularly over the long term, has failed to develop at the same pace as the other two functions. It is used rather as a stop-gap to remove short-term administrative obstacles to the execution of programmes and projects in any sector.

Uruguay is also working on the integration of these three functions in the Central Planning and Budget Office, located in the Office of the President of the Republic. Here administrative planning will be an auxiliary function of the budget process.

Uruguay's National Development Plan for 1965-74 is an example of the most careful and advanced administrative planning to be found in any over-all development plan in Latin America.

(d) Integration of the supervisory functions

There are schemes for providing even more integrated facilities for administrative planning than those described above. They represent attempts to link all the main supervisory functions with the Office of the President, combining them in a single unit which is usually called the Technical Bureau of Administration.

The purpose is to form an auxiliary multi-disciplinary advisory body of great flexibility which would provide the dynamics for the promotion of economic development.

The integration of economic planning, administrative planning, staff management, budget management, and statistics is calculated to provide the top level of the national executive with the most important institutional instruments for the formulation, implementation, supervision and appraisal of plans, programmes and projects. This is undoubtedly a conception of functional co-ordination which deserves careful consideration.

In theory, the advantages of such an agency are fairly obvious. The budget would serve as an instrument for the implementation of both economic development and administrative reform plans, programmes and projects. If these were prepared with due regard not only for their economic implications but also for the financial, institutional and staffing considerations involved, they would have a far better chance of being put into effect. Properly directed statistical activities would supply information for economic and administrative planning
and budget and personnel management, thus providing a sound basis for programming, execution, supervision, and appraisal.

In addition to integrating these functions in a central agency closely connected with the top-level national executive, attempts are also being made to group them at the ministerial level, through the establishment of sectoral units which would co-operate closely with the top sectoral executive. These units would be given technical guidance and support in their specialized activities, and they would be co-ordinated by the central agency at the presidential level.

Despite its theoretical attractions, this way of institutionalizing administrative planning, in practice, runs into difficult political and operational problems.

The emergence of a technical agency exercising considerable influence on government policy-making and with the capacity to measure the progress of government programmes in all sectors, is resented by the Establishment, accustomed as it has been until now to a certain independence of decision and operation. Until comparatively recently the Office of the President has only had auxiliary political and administrative departments with essentially traditional functions. In view of the complexity of modern government and its increasing intervention in new and vital economic and social sectors, the highest executive authority now requires auxiliary machinery which will facilitate the direction, supervision, control and appraisal of the implementation of government policy and programmes. When attempts are made to introduce co-ordination this often restricts the existing freedom of action, and the agency introducing it frequently encounters opposition and distrust on the part of the traditional administrative bodies.

The concentration of the supervisory functions in one agency and their tremendous influence on decision-making at a high public policy level also gives rise to the fear that the technical departments might cap the ministries themselves. It is not realized that they act merely in an advisory and auxiliary capacity, and it is feared that they might become decision-making and executive bodies.

The integration of these functions in one body also enables the forces opposing the new regulatory functions to concentrate their fire. In a dispute it is easier to attack a single agency than several different ones, and to blame it for every problem under the sun.

The human obstacles to the integration of administrative and economic planning -- lack of training and professional calibre and difficulties in communication -- have already been discussed in this paper. When these functions have to be integrated with two or three others, the difficulties increase proportionally.

Integration of this kind was up against complex problems of personnel management and training.

Such agencies should be directed by men of superior calibre who are fully accepted by the highest national executives. The authority and responsibility implicit in these functions are such that the man at the helm cannot succeed in his task unless he has a clear over-all conception of government, a sensitive approach to all the functions under his control, and great acuteness in foreseeing the many financial, political and social repercussions which such an agency’s
activities must have throughout the public sector. Men who have all these qualities and are capable of applying them with energy, poise and discretion are hard to find.

The shortage of technical personnel with adequate training and experience also hampers the operation of a department of this kind, not only because a large proportion of the national cadres of qualified personnel is concentrated at the heart of the government and this impedes sectoral action, but also because these new auxiliary functions of government control are carried out by people without sufficient political experience. In several countries, the young technicians are undoubtedly well trained and professionally able, but there is a tendency to believe that technical measures for dealing with national problems are good merely because they are technical. In extreme cases the technicians are even contemptuous of legislators and political institutions. More than once these attitudes have had unfortunate repercussions on the technical bodies themselves, which have received the political backlash resulting from proposals and programmes whose political feasibility had not been properly considered.

In spite of the obstacles encountered, this way of institutionalizing administrative planning should not be dismissed out of hand. Although it may not be ideal, it is an interesting solution because of its potential for the administrative development of the Latin American countries.

The trend towards grouping a number of supervisory functions in a single agency began in Latin America in 1937, when Brazil established DASP in the Office of the President of the Republic. This department was set up to exercise the functions of administrative planning, budget management, staff management, and government purchasing. It was the point of departure for a movement of administrative reform in Brazil, encouraged by an elite of technically-trained administrators, who succeeded in starting a veritable wave of reformist thinking in the public administration of Brazil.

DASP had great drive during its early years. It adopted a particular strategy of administrative reform, "that of the centralized agency structure with powerful control functions, manned by a technical elite with a monopoly of skills".\(^1\)

\(^2\)

After President Vargas' first term of office, DASP gradually lost its influence, and some of its functions and some very valuable staff members were transferred to other bodies. This does not mean that the experiment failed. On the contrary, the department gave invaluable service to Brazil's public administration, not only by helping to form the growing group of experts which has encouraged administrative reform for three decades, but also by providing the rich fund of experience which this experiment has contributed to administrative reform in Brazil and in other countries that have adopted it as a model.

Panama followed the same course, setting up the Department of Planning and Administration as an advisory and auxiliary service of the Office of the President in 1959, with the functions of economic planning, administrative planning, budget management and personnel management.

\(^{12}\) "The strategy of public administration reform: the case of Brazil", op. cit., p. 53.
The Office of the Controller continued to be responsible for the co-
ordination of national statistics, and this function was not, therefore, integrated
with the others.

In this case, the supervisory functions have been more successfully integrated
in the central government agency than in the various sectors.

The Dominican Republic also set up a technical department in the Office of
the President at the end of 1965, with responsibility for co-ordinating the work
of the National Planning Office, the Organization and Personnel Office, the
Budget Office and the Statistical Office. An effort is being made to integrate the
functions of these offices in sectoral units, and this has been achieved in the case
of agriculture, industry and health.

It is difficult to direct these functions in a co-ordinated way, because long-
and medium-term economic and social goals have not yet been established,
because of the rapid turnover in the small specialized staff at the disposal of the
department, ministries and other public agencies, and because of the acute
shortage of technical personnel to carry out the new advisory functions.

Steps are now being taken to train personnel for supervisory and advisory
posts, both at universities and through an energetic programme of intensive
in-service courses.

Administrative planning is carried on despite these problems. A general
diagnosis has been made of the public sector and an over-all programme has been
prepared for setting up a planning system and reorganizing the machinery for
their implementation in an effort to introduce some kind of coherence into
government activities. Work is now going ahead on sectoral administrative
planning. Thus, at that level, administrative planning goes hand in hand with
economic planning.

Other countries also have endeavoured, or are endeavouring, to integrate
these functions, sometimes in two technical departments attached to the Office
of the President, one for economic affairs and the other for administrative
matters.

Guatemala, which until recently had one central planning office, is now
establishing a new department in the Office of the President with responsibility
for administrative planning, personnel management and in-service training.

In 1963, Ecuador concentrated its supervisory functions in two bodies: the
National Planning Board, which in addition to its planning functions was also the
central authority for statistics, and the Technical Bureau of Administration, with
the functions of administrative planning, budget management, and personnel
management. The latter existed up to 1965, for the first time achieving real
co-ordination between the budget and the plan and an effective appraisal of the
administrative means acquired to carry out programmes and projects.

Despite its unquestionable theoretical value, the Technical Bureau of
Administration encountered obstacles in the shape of political opposition to its
reforms and professional susceptibility. Errors of strategy were committed in
carrying out the reforms and in introducing new solutions, owing largely to the
youthfulness and political inexperience of its staff of experts. It was nevertheless
a valuable experiment, which for the first time promoted the discussion and
investigation of possible solutions to Ecuador’s problems of development
administration.
To sum up, the Latin American countries are paying increasing attention to the question of institutionalizing and integrating the supervisory functions related to development. Each country seeks its own solutions, and takes advantage of favourable circumstances to set up specialized bodies on a permanent basis to achieve them.

G. FEATURES OF ADMINISTRATIVE PLANNING IN LATIN AMERICA

Interesting experiments in administrative planning have been carried out in the region. Unfortunately, scarcely anything is known about them outside the countries where they have taken place, because of the inherent tendency of developing nations to operate in watertight compartments, with little or no communication between them.

Many of those experiments would be extremely useful to other countries which face essentially the same administrative problems and which would benefit from applying measures tried out under similar conditions, mutatis mutandis, in their own environment. Through a greater exchange of experience it might also be possible to avoid the repetition of costly mistakes, which often delay the process of administration when measures or policies that have already proved unsuccessful are adopted.

Research, analysis and exchanges of information in respect of the following activities are considered essential.

1. Over-all administrative planning

There are several cases in Latin America in which economic planning and administrative planning are integrated in an over-all development plan.

(a) Ecuador's Over-all Economic and Social Development Plan, 1964-73 (La organización para el Plan de Desarrollo y la reforma administrativa, vol. I, chapter IV, pp. 240-390) contains a general diagnosis of the administrative problems which are hampering the development process, and a programme of reform at all government levels, from the Office of the President down to the municipalities.

Both the diagnosis and the programme were prepared in fairly detailed form for the central government, and along somewhat more general lines for the rest of the public sector. Their execution has given rise to far-reaching administrative reforms, especially in the first two years covered by the development plan.

(b) In Honduras, the National Economic and Social Development Plan 1965-69 (Medidas de organización y reformas administrativas del sector público, vol. I, chapter VI, pp. 254-362) presents a programme for defining planning, budget and statistical procedures, and partially reorganizing the ministerial structure. It also sets forth some general ideas on the necessity of co-ordinating the activities of the central Government with those of the autonomous bodies of the public sector.
Although the programme is not based on a detailed analysis of the administration at the time the plan was drawn up, the section in which the national planning and budget procedures are analysed is very specific and even includes draft legislation relating to them.

There are some considerations regarding sectors, in particular, suggestions for the establishment of a Ministry of Industry and the redistribution of certain functions among the other ministries. No effort is made to programme regional or provincial and local activities, or the remaining functions, namely, administrative planning, personnel management, statistics, accounting, and control.

(c) Uruguay’s National Economic and Social Development Plan, 1965-74, (vol. IV, which deals with the plan for the public sector, Add.1 to Add.214) contains a programme of administrative reform which is the result of a thorough and detailed diagnosis of the prevailing situation. It provides for an equally large-scale and detailed programme of action designed to introduce significant changes in the legislation, organization, and operational procedures at all government levels.

This is one of the most comprehensive attempts at administrative planning in Latin America in so far as diagnosis and the formulation of a programme are concerned.

(d) Chapter VII of Bolivia’s Two-Year Economic and Social Development Plan, 1965-66, deals with the structural reform of the public administration. Without being based on a detailed diagnosis, it contemplates a programme of administrative reform for the Office of the President, the ministries and public services, the planning and budget procedures, the financial and tax system, and the system of national statistics.

(e) In 1965, Guatemala’s central agency for economic planning prepared a diagnosis of the national economy and its future development prospects. It includes a first attempt at defining the administrative questions which have an impact on national development. It expresses regret at the lack of administrative analysis and planning in the country, saying that, in spite of all the Government’s good intentions to secure the necessary changes and reforms in the public administration, it had proved impossible to formulate a process of basic reorganization, for want of a prior study in depth of the origins of the different administrative practices which had been in force ever since the achievement of independence.

(f) El Salvador, in its National Economic and Social Development Plan 1965-69, briefly analyses the problems of public administration.

Besides a few suggestions regarding changes in the planning system, this attempt at an over-all analysis includes some observations on fiscal and budget

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14 Ibid., p. 218.

management, the pension scheme, the civil service, and the reorganization of the ministries and autonomous bodies, including the municipalities. It suggests that co-ordinating machinery should be established for inter-ministerial activities connected with organization, methods, and legal reforms.

This study is only a preliminary diagnosis of administrative problems in El Salvador, which should eventually be extended in coverage and depth. It is nevertheless significant that the ideas it contains were included in the national development plan.

These experiments in integrating economic planning and administrative planning at the over-all level in Latin America are a sign of the desire of Latin American planners to find ways of making planning a continuing process. They undoubtedly bear witness to the dynamic character of the planning.

Although most of these attempts at over-all administrative planning in the region should be regarded merely as first experiments, it is to be hoped that they will serve as the basis for a more systematic, scientific and consistent approach to the analysis, preparation, implementation and supervision of programmes of administrative reform, to be carried out simultaneously and integrated with each phase of the over-all economic and social development plans. In this way, over-all development plans will take due account of their administrative feasibility, which will increase the likelihood of their being implemented.

Administrative planners in the region are facing a tremendous challenge. The acceptance of administrative planning as part of the national planning effort demands from them a great deal of initiative and a solid background of scientific research and training.

In other cases, administrative planning has not been completely integrated with economic and social planning, either because the latter type of planning was still unprepared to absorb the former, or because they were carried out by separate institutions on an unco-ordinated basis; but these activities were governed by a single planned development policy, and there was some informal contact between administrative planners and economic planners.

(a) In Colombia, administrative planning and economic planning developed concurrently but were not integrated. At one time, administrative reform was progressing more rapidly than economic planning. There is no question that Colombia is one of the Latin American countries which has been most active and has accumulated most experience in modernizing the administration for national development.

Studies on the public administration have been carried out in Colombia for many years. In 1950, Mr. Lauchlin Currie made a report on the reorganization of the Executive Branch of the Government of Colombia ("Reorganización de la rama ejecutiva del Gobierno de Colombia"), which gave the first great impetus to and was the point of departure for the whole movement of reform.

Act 19, covering an ambitious programme of administrative reform, was passed in 1958. Its objectives are to:

(1) Assure co-ordination and continuity of government action in accordance with plans for progressive development established by law;
(2) Guarantee the continuing employment and the technical calibre of government officials and employees;
(3) Promote a rational organization of the public services and the decentralization of those which might operate more efficiently under the supervision of the local authorities;

(4) Simplify and reduce the cost of formalities and procedures;

(5) Avoid duplication of work or the overlapping of functions;

(6) Facilitate an adequate administrative control.¹⁶

One of the most important steps in modernizing the administration in Colombia was the organization of institutions and systems that were considered to be of vital importance for the development process: the National Planning Council, the Planning Administration, the Civil Service Administration, the Department of Organization and Inspection of the Public Administration, the National Statistics Administration, the Higher School of Public Administration, etc. United Nations technical assistance missions played an important part in introducing these reforms.

(b) In 1965 Peru's National Office for Rationalization and Training in Public Administration — an executive unit of the Office of the President with responsibility for administrative planning and the training of civil servants — prepared a diagnosis of the Peruvian public administration and put forward proposals for introducing reforms ("diagnóstico de la administración pública peruana y propuestas de reforma").

This constitutes a large-scale programme of administrative reform based on a detailed diagnosis of the actual situation in the central, regional and local government administration. The analysis and programme deal with each sector in detail.

There is no doubt that this study is a valuable contribution to the development of Peru's administration, but it is as yet too early to appraise its results.

(c) In the Dominican Republic, the National Office of Administration and Personnel, attached to the Technical Department in the Office of the President, completed a study in 1965 on economic and social development administration (La administración del desarrollo económico y social en la República Dominicana). It comprises a general diagnosis of the administrative problems affecting the country, and a programme of administrative reform designed to build up a system of economic planning — for which there was only a weak central unit — introduce it in the various sectors, and integrate it with the other top-level executive functions. It analyses the sectors, the regional situation and the local governments and suggests measures for improving them and integrating them with the national development efforts.

This programme is now being put into effect, and it helped to spark an administrative reform movement which was very active during 1966.

(d) Trinidad and Tobago does not follow the practice of preparing over-all administrative plans to accompany over-all or sectoral economic plans.

The five-year development plan for 1964-68,¹⁷ however, reflects marked concern for the administrative aspects of planning, especially in relation to

¹⁶ Banco de la República, Reforma Administrativa en Colombia (Bogotá, 1961), p. 5.

shortages of manpower for carrying out the Plan and the establishment of new executive bodies to execute some of the major sectoral programmes.

Much of the diagnosis is devoted to analysing planning institutions and the procedures used for preparing, discussing, adopting, implementing and supervising the Plan. In sectoral programming, the emphasis is on co-ordinating the activities of the different ministries and ministerial action with that of the central planning agency.

The following are considered to be the main requisites for improving planning and the government administrative machinery:

(1) Ministers should participate fully in the planning process. In each executive body there should be planning officials and committees with responsibility for preparing and supervising the implementation of sectoral plans;

(2) The functions and their division among the various units taking part in the process should be clearly specified;

(3) The procedures for drawing up and executing projects should be improved by establishing statistical and costing sections, preparing progress reports on all important projects for submission to the National Planning Commission and ensuring more careful supervision of projects in the field;

(4) An intensive programme of in-service training should be carried out for technicians and administrators, particularly in the financial control and planning of development;

(5) A sound system should be devised for issuing progress reports on the Plan, and the annual reports of the ministries should be overhauled so that more attention is given to information on progress towards the specific goals of the Plan;

(6) Steps should be taken to remedy the shortage of qualified personnel, especially engineers, and to give some administrative know-how to non-technical personnel.

A description is given of the proper role of such bodies as the National Advisory Council, which serve as liaison between the public and private sectors, and stress is laid on the procedures for public consultation to ensure that the man in the street will accept and participate in the planning process.

2. Sectoral administrative planning

Most of the over-all economic development plans prepared in Latin America comprise fairly detailed economic diagnoses and sectoral programmes, and most of the diagnoses and programmes to the institutional organization required for plan implementation. In most cases, however, these references are not the outcome of systematic research on the existing administration by sectors or of any systematic administrative planning effort, nor are the sectoral programmes given a central frame of reference which will guide them towards the attainment of common goals.

These plans generally express the wishes of economic planners regarding structural changes, the redistribution of existing functions, or the assignment of new ones. The changes are intended to ensure that the projects proposed in the programmes will be properly executed. Naturally, as in the case of over-all
planning mere changes in structure or sectoral functions do not necessarily guarantee the desired results. Much more consistent, systematic and far-reaching administrative planning is required to secure the social change implied by sectoral administrative reform.

Unless methods of scientific analysis are applied to sectoral administration, agencies may be created or abolished, functions may be transferred from one ministry to another, and wishes may be expressed — such as the often-heard wish for closer co-ordination between autonomous bodies — but the sectoral administration will still be unable to fulfill efficiently its function of programming and project elaboration and execution.

There are a few cases, however, in which an attempt has been made to apply principles of sectoral administrative planning:

(a) In 1964 and 1965 the Technical Bureau of Administration, in the Office of the President of Ecuador, carried out an administrative micro-analysis of the agricultural and public health sectors, as a step towards macro-analysis and the over-all programme which forms part of the first over-all development plan.

In this study, the ministries were analysed as sectoral agencies, and reforms were introduced to give them a more dynamic organization and to establish functional relations between them and the other agencies concerned with implementing agricultural and public health programmes. Systems were devised for achieving an effective co-ordination between the ministries and the decentralized autonomous bodies in the two sectors.

(b) In 1965, ONRAP published a preliminary study of twelve sectors of the Peruvian government administration in volume II of its “Diagnóstico preliminar de la administración pública peruana y propuestas de reforma”, referred to above.

(c) An interesting case of integration of economic and administrative programming is observable in the sectoral programmes included in the National Economic and Social Development Plan for 1965-74 in Uruguay. The administrative programmes are particularly detailed for the agricultural, industrial, energy, and transport sectors, and somewhat more general for the social sectors of education and public health.

The administrative planning of agriculture is remarkably comprehensive, ranging from a general diagnosis of the sector to suggestions regarding methods of modernizing institutions in such important areas as land reform, tax policy, price policy and subsidies, and programmes for research, extension, and the use of certified seeds.

(d) In the Dominican Republic, after completion of the over-all macro-analysis of the administration, work proceeded in 1966 and 1967 on the administrative planning of sectors, starting with agriculture and industry.

These efforts are intended to provide a diagnosis of the administration in a particular government sector, on the basis of studies that will give an over-all

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view of related functions in the same sphere of activity, in order to draw attention to problems, recommend solutions and provide suitable means for applying them, so that economic and social development programmes can be carried out.\textsuperscript{20}

(e) Trinidad and Tobago's five-year plan defines the main policies and course of action in each economic and social sector. Here, too, there is evident concern for the administrative aspects of sectoral programming.

The higher education programme provides for the opening of a new College of Arts and Science as part of the University of the West Indies, at St. Augustin, for training government administrators.

The Plan also specifies that two types of training are required for the Civil Service -- academic, and specialized in-service training -- because "the demands on the Civil Service have grown increasingly as a result of the new tasks imposed by the attainment of independence and by the greater role of Government in an economy of growing complexity".\textsuperscript{21}

Emphasis is placed on the need of economic and social research for the formulation of soundly based development plans, and the major areas of research include that of "public administration in a developing society". Importance is also attached to research on human resources to determine the requirements for and availability of skilled personnel in both the public and private sectors of the economy. This study will have great relevance to educational planning.

The Plan underlines the basic importance of petroleum, as the country's main export item. It contemplates the creation of a Ministry of Petroleum and Mines, and gives details of its functions and responsibilities.

It also proposes the establishment of a Transport Authority charged with the regulation of all goods and passenger traffic on the country's roads.

3. Creation of institutions for sectoral administrative planning

In all the Latin American countries, the natural process of institutional development has, moreover, led to constant changes in the sectoral set-up. The increasingly important role of government in economic and social development activities has resulted in the establishment of additional ministries and the growing specialization of many of them.

The new ministries have usually come into being through the division of one or several existing ministries which operated simultaneously in a number of economic and social sectors.

Institutional changes have also resulted from the policies of decentralization or of centralization applied by different governments. Often, some of the functions of ministries have been transferred to autonomous public institutions


specially established for the purpose, if it was considered that they could carry out the functions more efficiently because of their greater political and financial flexibility. There have also been cases where autonomous bodies have been abolished and their functions transferred to existing or newly created ministries.

Most of these institutional changes were introduced without administrative planning and without a prior over-all or sectoral analysis of the government machinery. They were the result of sporadic action which sometimes, far from making the administration more efficient, slowed it up and even caused serious disruptions which eventually had to be remedied by means of a new series of changes.

Some countries, however, are beginning to use more up-to-date systems of administrative programming to introduce significant changes in important sectoral institutions, but usually without analysing the sector as a coherent unit. In several cases, these changes were designed to facilitate the execution of the sectoral programmes and projects included in development plans. In other cases, they were prompted purely by ideas of administrative reform and were introduced by executives and technical officials who recognized the need for more consistent action, after trying out, without success, changes of form but not of substance.

The following are a few examples of administrative programming in some sectoral institutions:

(a) In 1959, the Commission for Administrative Reform of Colombia carried out a pilot project involving research, analysis and administrative programming in the Ministry of Public Health, with a view to defining some essential principles that might subsequently be used as a guide in reorganizing other ministries.

The study began with an analysis of the existing legal bases, organization, functions, financing, programming, control, personnel management, administrative services, formalities and procedures, and went on to consider internal and external co-ordination, and the relations between the Ministry of Public Health and the departmental and municipal governments.22

This study was not useful only in reorganizing the Ministry of Public Health; its conclusions and recommendations also served as a basis for Decree 0550, passed in 1960, which lays down general rules for the reorganization of all the ministries and administrative departments of the Government.


Thorough research was undertaken in every case, and suggestions were made which included draft decrees and ministerial decisions laying down regulations for the organization and operation of all units composing the bodies restructured on the basis of these studies. The aim of restructuring the ministries was to

achieve a better functional organization, to provide them with programming bodies as part of the planning system, and thus to equip them for sectoral programming.

(c) In Paraguay, a survey was made of the administrative aspects of the Ministry of Education and Worship in November 1963. Among the major obstacles encountered was the shortage of properly trained supervisory and administrative personnel to staff the Ministry. The survey states: "The sciences of management and administration were not widely taught in Latin American institutions of higher learning until the fifth decade of the twentieth century. It was the custom for government as well as business administrators to depend on personnel trained in law and economics to provide the skills for management. This served well enough in the past, but in recent years both government and business leaders throughout Latin America have recognized that developments in administration have not kept pace with technical and economic requirements."23

(d) In 1965, a survey and analysis of the organization and functions of the Ministry of Agriculture were made in Costa Rica. This study was the first step in the over-all analysis of the agricultural sector, whose purpose was to ensure that agricultural policy would be more efficiently developed and implemented.24

The same year, a similar study was made of the Ministry of Public Health and other bodies in that sector.

In 1966, the administration of the Ministry of Industry and Trade was analysed and programmed.

During those years, a number of studies were carried out on other institutions also with a view to removing administrative obstacles to the execution of development programmes and projects.

(e) Venezuela made sweeping changes in the administration of the agricultural sector in 1966, first analysing and preparing a programme for the Ministry of Agriculture, whose administrative structure was preventing this sector from developing at an accelerated pace and from making full use of human resources at its disposal.25

One of the most important decisions adopted was to decentralize the administration of the Ministry, and to create new regions with a central authority for each. The Ministry in Caracas is now concerned exclusively with programming, supervising, control and evaluation, while the regional and state offices are responsible for the implementation of all the Ministry's programmes in the interior.

(f) As part of the large-scale administrative planning currently under way in Uruguay, in 1967 the Government analysed and prepared a programme for modernizing the Ministry of Agriculture. According to the diagnosis made, the Ministry had defects in structure and organization which prevented it from

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24 Department of Productivity and Administrative Efficiency, Planning Office, Informe final sobre el estudio de organización y funciones del Ministerio de Agricultura y Ganadería (San José, 1965).

playing its proper role as a central agency for the programming and execution of projects to expand agricultural production. It lacked the administrative machinery for the formulation and co-ordination of agricultural policy, for research and extension, and for the provision of services directly to farmers.  

A striking feature to this reform is the strategy adopted for introducing it, which was through the 1967 budget legislation. This shows how advantageous it is to integrate administrative planning with economic planning and budget programming, and to use the latter to introduce reforms.

(g) In Guatemala, some interesting measures for integrating administrative and economic planning are being taken in the Ministry of Public Works and Communications, whose Programming Unit, supported by the National Institute of Development Administration (Instituto Nacional de Administración del Desarrollo – INAD), is working on modernizing the Ministry’s administration.

These examples of institutional administrative planning in economic and social sectors of key importance for national development give some hope that this trend will extend in time to all the administrative machinery belonging to those sectors, and to all the other sectors which take part in the process of economic planning.

These activities should go hand in hand with economic planning, in a combined effort which would give sectoral programming the solid administrative basis that is required in all phases of planning.

4. Administrative planning at the project level

A project is the most concrete step in the planning process, and it immediately precedes execution. It represents the actual choice between alternative solutions for the allocation, handling and use of resources.

A project is also described as a “compilation of data which will enable an appraisal to be made of the economic advantages and disadvantages attendant upon the allocation of a country’s resources to the production of specific goods or services”, 27 or as “the input of a bunch of production factors with the consequence of obtaining a package of products”. 28

Administrative factors are obviously of key importance in formulating projects, and even more so in executing them.

At the project level, the administrative factors must be clearly specified and accurately quantified. It is no longer a question of policies and guidelines, rather abstract strategies, or slightly more concrete generalizations applicable to a sector. The problem now is to measure, quantify and apply inputs correctly.

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26 Ministry of Agriculture (Office for Agricultural Planning and Policy) and CIDE (Agricultural Section), *Restructuración y reorganización administrativa del Ministerio de Ganadería y Agricultura* (Montevideo, 1967).

27 Manual on Economic Development Projects (United Nations publication, Sales No.: 58.II.G.5).

through an organization that will ensure a planned result in terms of goods or services. This is where administrative efficiency plays a decisive part.

Administrative factors affect all stages of a project: generation, study, formulation and execution.

The generation of sound development projects is one of the weakest points of Latin American planning. One reason for this is the low level of efficiency and productivity of the public and private administration responsible for producing them.

The traditional administration is unprepared to develop new functions and still lacks the skill and efficient machinery for formulating consistent policies, undertaking research, programming, carrying out development activities, and producing other than the traditional goods or services.

This makes it difficult to produce sound projects, since "project generation is essentially an outcome of a combination of factors such as general programming, which draws attention to most basic needs; research, linked so often with the emphasis on and the discovery of latent possibilities; actual production and service operations which enable opportunities for discovery and insight into problems and difficulties which might be solved by proper action; ... promotion, by means of systematic testing of ideas in an environment of action; policy formulation, through application of general principles to specific needs. Each of these factors is institutionalized and represents some aspects of staff and operative work. A fairly high level of work by the respective institutions and a proper balance between them seem to be prerequisites for a sufficient supply of projects." 29

In the stages of project study, formulation and execution, the influence of administrative factors is even more evident and widely recognized. The United Nations says that "apart from all the provisions and recommendations that may reasonably be incorporated in the project with regard to its organizational and executive stage, there remains one basic condition for success, and that is the presence of an efficient administrative staff. In this respect, a good project study will contribute to the success of the enterprise by presenting a set of well-considered and thoroughly co-ordinated plans and work schedules to the administrator responsible for their execution. The selection of well-qualified staff for the organization and establishment of the enterprise should receive as much attention as the project study itself." 30

There are some instances in which administrative analysis is integrated with project preparation:

(a) Uruguay's Agricultural Development Plan, which forms part of the Sub-Programme for Research on and the Conservation of Natural Agricultural Resources, includes projects for research on natural resources and for soil conservation. 31 In these projects, a careful analysis is made not only of economic and financial data but also of the administrative organization, the

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29 "Organization in sectoral planning", op. cit., pp. 11-12.


technical and operational personnel required, and the time schedules for the execution of the work.

(b) As part of the process of development planning in Paraguay, the Project for the Regional Consolidation of the Eastern Axis was prepared in 1966, with the aim of consolidating and accelerating economic and social development in a region where important land settlement projects have been completed in recent years.

The study contains an administrative diagnosis of the Institute of Rural Welfare (Instituto de Bienestar Rural – IBR), the agency responsible for the project, which analyses the history, organization, staff and resources of the Institute, the main activities in which it has been engaged, and its present administrative problems.

The study then deals with the organization required for executing the project and defines the functions to be carried out by each department of IBR; it also specifies how the principal administrative procedures relating to the project are to be applied.

The requirements in terms of national technical and administrative personnel, and foreign technical assistance experts, are clearly specified. The local and international financial resources required, and their source and destination, are precisely defined. Emphasis is placed on the role which other bodies of the central government and of the decentralized sector should play, in co-ordination with IBR, in executing the project.32

This is unquestionably one of the best examples of integrated administrative planning in the preparation and execution of projects in Latin America.

Such valuable experiments as these give some hope that in the future the administrative aspects of project preparation and execution will be taken into account on the scale and in the depth required, so that the administrative feasibility of the projects will be assured at this stage of development planning.

32 IDB/ILPES/FAO, “Proyecto de consolidación regional Eje Este” (Santiago, 1966), a provisional document under discussion, chaps. XIII-XV, and annexes.
PRIORITY SYSTEMS FOR DEVELOPMENT ADMINISTRATION

By Wilburg Jiménez Castro*

A. THE "SYSTEM" CONCEPT FOR PRIORITY PROCESSES
   IN DEVELOPMENT ADMINISTRATION

The word “system” is used here to mean a group of organs, principles, and standards in relation to a given subject, which are so closely linked or co-ordinated that they constitute an indivisible whole, in spite of their operational and functional independence. These components follow the same guide-lines and satisfy a common objective.

Thus the system is an organized and articulated whole, rather than an accumulation of separate factors, and it grows outwards from the centre, thereby making each of its components stronger and more suited to its individual and collective purposes, without altering the proportion of each within the whole.

Systems are not composed of isolated units: there is a “central body”, whose activities are important in standardizing its operation; but there must also exist other components which are known as “sectors”.

This concept is found in the circulatory, respiratory, digestive, reproductive, bone and muscular systems of the human body and even in the planetary system of the universe, all of which have the characteristics mentioned above. It can also be applied to public administration systems such as education, health, the economy, social security, etc., and those analysed in the present document as “priority systems for development administration”.

Priority systems are of great importance in the achievement of integral development because, among other things, they create incentives; they set general standards of decentralized and co-ordinated application; they rationalize administrative structures and procedures; they establish a relationship between the activities carried out under a number of systems, and also between policy and administration; they enable the best possible use to be made of the scarce supply of skilled manpower and financial and material resources, thus achieving greater efficiency; personnel participation and activities are better motivated, etc.

Unfortunately this concept of “systems” has not been understood and utilized in many countries; on the other hand, central offices have been organized for planning, personnel, budget, administrative reform, accounting, statistics, purchasing, storage and supplies, etc., as part of the traditional organization of the government.

* Document ST/FCLA/Conf.30/L.11.
Sectoral units have also been established in some of these offices in their respective fields, but since they operate not within the context of a system but rather independently and more in line with the objectives of the ministry itself, or of the body or decentralized institution to which they belong, they preclude the advantages inherent in a system.

In other cases, a top-level body has been established, usually as a technical or administrative department in the office of the President of the Republic, to organize all these functions.

In the document entitled "Administrative planning for economic and social development in Latin America", the United Nations Economic Commission for Latin America referred to this type of organization and to the experience of several countries.

The document contains a proposal for an advanced system of institutionalization for administrative planning, through the establishment of a top-level "auxiliary multi-disciplinary advisory body of great flexibility which would provide the dynamics for the promotion of economic development". In the same document ECLA states:

The integration of economic planning, administrative planning, staff management, budget management and statistics is calculated to provide the top level of the national executive with the most important institutional instruments for the formulation, implementation, supervision and appraisal of plans, programmes and projects. This is undoubtedly a conception of functional co-ordination which deserves careful consideration.

In theory, the advantages of such an agency are fairly obvious. Despite its theoretical attractions, this way of institutionalizing administrative planning, in practice, runs into difficult political and operational problems.

The emergence of a technical agency exercising considerable influence on government policy-making, and with the capacity to measure the progress of government programmes in all sectors, is resented by the Establishment, accustomed as it has been until now to a certain independence of decision and operation. When attempts are made to introduce co-ordination this often restricts the existing freedom of action, and the agency introducing it frequently encounters opposition and distrust on the part of the traditional administrative bodies.

The concentration of the supervisory functions in one agency and their tremendous influence on decision-making at a high public policy level also give rise to the fear that the technical departments might cap the Ministries themselves. It is not realized that they act merely in an advisory and auxiliary capacity, and it is feared that they might become decision-making and executive bodies.

The integration of these functions in one body also enables the forces opposing the new regulatory functions to concentrate their fire. In a dispute it is easier to attack a single agency than several different ones, and to blame it for every problem under the sun.

In addition to the foregoing comments, attention should now be turned to the following considerations:

1. The centralization in a single body of the different activities of planning, budgeting and personnel management requires a large staff with a wide range of

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2 Ibid., p. 191.
3 Ibid.
skills, and sizable financial resources. A centralized organization of this nature makes it difficult to satisfy the objectives of each separate unit; since these activities are subordinated and not interrelated, they lose the necessary relative functional independence they should have, no matter how they may be co-ordinated in the chain of authority.

The situation becomes even more critical when administrative reform is included, since, from the operational viewpoint, these activities are quite different in nature from administrative planning and must be co-ordinated with all the other activities, as also should be the other priority functions of collecting accounting, statistical, purchasing, storage and supply data.

2. Each of those activities should be organized as a “system”, according to its particular nature.

In each of those systems there is a central body that is responsible for co-ordinating all the components of the relevant system. This is done through technical norms and relationships which will be analysed later.

Each system also includes sectoral units located in the appropriate ministries, offices, autonomous institutions, regional bodies and local governments.

The sectoral units located in the central government operate as part of the formal structure of the government, and their relations with the central unit are through the regular chain of authority, that is, from the director of the central unit down. He, in turn, receives from his superiors the technical guidelines for action by the respective sectoral units. In this way, there is no duplication of authority, as frequently happens in an organization of a functional, subjective or specialized nature, when a single chain of authority is established for formal relationships.

3. Each of the priority systems for development administration must operate with a certain amount of independence with regard to the others, but also in co-ordination with them.

Economic and social planning in itself should not be and should not act as a process that restricts other activities connected with the budget, personnel, administrative reform, statistics, etc., and it should not be involved in them. It establishes over-all development aims based on its own criteria and those furnished by other systems, and thus provides a framework for action which is as realistic as possible and within which the systems must develop in accordance with their own ideas and initiative.

Likewise, through the performance budget, the implementation of short-term plans in financed, and the basis provided for the execution of medium- and long-term plans; through periodic evaluations it is ascertained whether the aims of the first plans have been reached and whether the longer term aims need to be adjusted. Therefore, the budget is not an obstacle to planning or to the application of personnel norms, etc.; it is, rather, a process that promotes action in these fields through the financing it makes available to them.

The central norms of governing personnel, accounting, statistics, purchasing, supplies and storage, and administrative reform cannot operate rationally and effectively on their own either.

They must all be considered and applied as interdependent administrative processes within a system, since it is difficult for a reform of administrative structures and procedures, for example, to be successful if the budget does not
provide the necessary financing, or if the personnel responsible for effecting the changes do not work on the basis of co-ordinated modernization plans and the merit system.

4. Because of the nature of the functions and objectives of each of these priority systems, its central units can be grouped in two different categories, which determine their place in the chain of authority and co-ordination.

(a) The central planning, administrative reform, budget and personnel units are "staff services", and as such they must be directly subordinate to the Office of the President of the Republic. They have several functions: (i) advisory; (ii) information; (iii) supervisory, as delegated by the Executive; (iv) inculcation of ideas because of their technical authority and their powers of persuasion over the sectoral units which compose the entire system.

Formally they have no hierarchical relation with any other members of the Executive; they neither receive nor give orders, but always channel their advice, reports, recommendations, etc., to the topmost authority. This avoids any question of dual authority, which sometimes exists when these central regulating advisory units assume auxiliary staff functions.

With the direct relationship with the Chief Executive and not through any ministry or top-level executive or council, any transfer of authority away from the President is avoided. On the other hand, a very close relationship is established between policy and technical administration, uniting both at the presidential level in a single decision-making centre.

In order to facilitate the exchange of ideas, a sense of participation, a team spirit and united criteria on action for planning and administrative reform, it is advisable to organize two other advisory bodies in the Office of the President, for administrative planning and for administrative reform; their technical secretariat work would be done by the respective central offices.

Those advisory bodies comprise several members and various ministers and executives of decentralized bodies may participate in their work, as may professionals, representatives of the private sector and international advisors. The commissions are headed by the President himself and the conclusions arising from their discussions and studies represent recommendations formulated to him, which he can either accept or reject.

Some of the positive experiences in Latin America make it desirable for there to be such central advisory bodies. In accordance with some of the available data, twelve of the eighteen central planning units existing at the present time have some kind of similar board, council or commission, and fourteen of those planning units are incorporated in the Office of the President of the Republic.

(b) The central units of the statistical, accounting and purchasing, supplies and storage systems have the functions of "auxiliary services" rather than of advisory services.

These three central auxiliary units must be co-ordinated by a top-level administrative or political executive, who must be in close contact with the President of the Republic and work in his Office, thus ensuring that their norms are applied throughout the rest of the State administration, both central and decentralized.
(c) The operational norms for each of those systems must be laid down in technical and legal regulations, which makes their application mandatory. Such is the case with norms to be followed in connexion with statistical and accounting surveys, compilations, registers and publications, the purchase of materials; the contracting of services; calls for bids, and adjudications; storage, etc.

Likewise, the activities of the planning, budgeting, personnel and administrative reform systems must have legal support; therefore it is advisable to promulgate general laws, and if possible constitutional regulations, in this respect.

5. In each of the ministries, offices and functionally and geographically decentralized bodies where it may be appropriate, there should be sectoral units for planning, budgeting, administrative reform, personnel, statistics, accounting and purchasing, and supplies and storage. They are part of the respective ministries, offices and bodies and, as such, have formal relation only with the chief executive of their own organization, since he is responsible for the implementation of the guiding principles laid down by the Executive, through administrative orders or institutional co-ordination.

6. The administrative structure of each system must be supplemented by the necessary procedures for speeding up its operation and making it more dynamic.

B. OBJECTIVES AND CHARACTERISTICS OF PRIORITY SYSTEMS FOR DEVELOPMENT PLANNING

1. The decision-making process

A main purpose of priority systems which has already been mentioned repeatedly in this document is to co-operate effectively in the decision-making process so that decisions will be based on:

(a) A knowledge of the facts (statistical and accounting);
(b) Their proper channelling through resolutions, criteria and financing (policy, plans, programmes and budget);
(c) Their assignment to institutions and persons within a dynamic framework related to the objectives, in order that the administrative procedures and structures may permit compliance with policy, plans and programmes (administrative reform);
(d) Full participation of all public sector personnel in consequence of adequate norms governing selection, recruitment, classification, evaluation, in-service training, remuneration, rewards and sanctions, retirement, etc., and good human relations, team spirit, discipline, morale, equity, loyalty, sense of achievement, initiative and stability (personnel management, with a human and not only an instrumental approach); and
(e) Rationalization of investment or expenditure in respect of fixed assets, equipment, materials, conservation, storage, etc. (purchasing, storage and supply).
2. The nature of the decisions

Decisions are either strategic or tactical. Of those that have to be taken into account within the framework of public administration the former are the prerogative of the higher levels of policy-making that fall within the sphere of competence of the Executive and the Legislature.

Strategic decisions should ultimately be taken by the Executive on matters which, in accordance with the constitutional legislation of each country, fall within his competence.

Because of the complementarity of the concepts mentioned and their close, practical interrelationship, and also taking into consideration the nature of the functions and prerogatives inherent in those powers, it must be pointed out that those responsible for exercising such powers must often have to take tactical decisions also. However, this does not imply a variation or a denial of their basic responsibility, which is taking strategic decisions.

In priority systems, the central units have a direct and most important part to play in the preparation of the approaches, guiding principles and aims on which the strategic decisions are based, through the provision of technical advisory assistance to the authorities responsible for making policy decisions. Therefore, it may be considered that the work done in this sense, oriented towards the establishment of a strategy, is in itself a strategic task. However, only those higher levels mentioned above are entitled to take decisions that may transform the issue into a specific and clear-cut strategy.

Strictly from the institutional and functional standpoint, each of the central units defines, establishes and implements the tactical procedures and the strategy which are pertinent to its own task, and to the activities of other sectoral units of the system that come under the process.

It must be emphasized that the strategy and tactics established in the central units, in the sectoral units and in all the other units down the line of the whole public sector organization, through co-ordination and the formal channels of authority, must be subject to, and closely linked with the implementation of the strategy and the tactical procedures which are the object of high-level policy decisions and must be channelled towards the achievements and aims defined by these decisions. If this were not so, it could not, strictly speaking, be called a system.

The tactics used or established must also be expressed through the operation of the system in the different ministries or public administrative bodies in the face of any circumstances that may arise, and must always help to bring the basic national objectives and policies contemplated in the strategic decisions taken at the above-mentioned levels within a broader framework of activities, powers and decisions.

C. PRIORITY SYSTEMS FOR DEVELOPMENT ADMINISTRATION

The analysis of the most important characteristics of each of the seven systems defined as priority systems of public administration action for
development confirms the need for their institutional organization and inter-
relationship.

The following is a brief presentation of the most outstanding characteristics
of each system:

1. The central advisory systems

(a) The planning system

Planning is a rationalizing process which is indispensable for development
action. It is one of the best tools at the disposal of the State for foreseeing,
promoting and channelling cultural, political, economic and social improve-
ments as integral development goals. It is the manifestation of the will to change
implicit in the development process.

The need for public sector planning has been clearly felt for a good many
years as is borne out by the words of an outstanding seventeenth-century French
political figure, who said that the nature of State business required that those
who devoted themselves to public affairs should often meditate in order to
foresee what might happen, and should formulate plans which would permit the
present to join with the future without detriment to either.4

Planning must be practical and realistic, not academic or theoretical, if it is
to stimulate in a deliberate, rational and sustained manner all the action
processes for development originating both inside and outside the public sector.

Experience in many countries reveals the need for closer co-ordination
between the preparation of diagnoses and the framing and preparation of
development plans on the one hand, and the administrative planning of the
activities that will permit their implementation on the other, and the need to
seek better means to ensure that government officials and employees and the
main components of the private sector, operating within their respective spheres
of activity, should take a more active part in the planning process.

There are development plans for most of the Latin American countries,
which vary in nature and in the stage of implementation reached. In many cases
these plans have not been properly implemented because, among other reasons,
they are incompatible with the countries' general policy and, since there is no
structural and administrative machinery to make them operational, they do not
get beyond the stage of written proposals or unimplemented projects.

Furthermore, in several countries there is a certain amount of resistance to
planning among some powerful groups, and its significance and advantages are
not widely understood. It has been recognized that "... individual initiative
alone and the free play of competition would not be sufficient to ensure
satisfactory development ... Programmes are needed to encourage, stimulate,
co-ordinate, supplement and integrate"5 the action of individuals and of

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4 Cardinal Richelieu, quoted by Pierre Massé in *Planning and Administration*,

intermediate bodies. It is for the public powers to choose and find ways of establishing the objectives that must be proposed, the aims that must be set, the means of achieving them, while at the same time encouraging all the forces working together in this common action. 6

Another limiting factor is the fact that planning has not been adequately institutionalized in several countries. It is not sufficient to have a central office and some sectoral units, planning must be established as a system, with the above-mentioned characteristics, if it is to be an activating process, and if its action is not to be neutralized by interest and pressure groups.

Planning and administrative reform are two processes differing in content and nature; but they must both work together for development because the former serves at the same time as a principle and as a process for the latter, and administrative reform is the institutional and human tool through which planning becomes operational.

In this sense planning and administrative reform are complementary, and practice has shown that:

... In the last few years, the introduction of new ideas in planning and in the preparation of plans has brought the study of administrative problems into a more up-to-date context. The first and most serious difficulties encountered in the operation of planning systems and in the implementation of development programmes in Latin America have been the present deficiencies of public administration in regard to concepts, traditions, structure and operation, which in many cases, are incompatible with the process of economic and social change. For this reason, development planning and administrative reform are now considered to be complementary and interdependent. In planning circles it has become clearer than ever that administrative machinery must be a leading factor in achieving economic and social development aims.

... It may be asserted that, in Latin America, development planning was a decisive factor in the initiation of great administrative changes. In recent years, important administrative modernization programmes have been inspired in the national planning offices, and in some isolated cases, they have become an important part of the over-all development plan. 7

As an important part of the institutionalization of the planning process, ways should be sought to establish a close relationship between technical planning bodies and those responsible for plan implementation.

Over-all and sectoral planning must materialize into specific operational projects; this does not happen often enough at the present time and has been one of the limiting factors in the implementation of plans.

Another problem is that economic policy tools, such as monetary, credit, tax, and other mechanisms, are not adequately used in plan implementation. A greater effort must be made to overcome these limitations.

Plans must have as broad a coverage as possible, with the participation of all sectors directly or indirectly affected by planning.

Where there is not the necessary close co-operation with policy formulation, planning remains isolated from those with decision-making powers and is limited

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to aspects of an economic and highly technical and theoretical nature, which restricts the relationship between policy-makers and those concerned with plan implementation.

Largely as a result of this, there is little relationship between administrative planning and the framing and preparation of development plans, which frequently remain as no more than unfulfilled programmes or unachieved aims.

The institutionalization of planning also requires a well-trained and well-motivated body of civil servants.

Without trained personnel it is very difficult to satisfy the requirements of a highly technical rationalization process, which include professional skills in different scientific fields, since planning is not the responsibility of a single professional group, whatever its members may be called — economists, administrators, lawyers, engineers, etc. — but rather of all these acting as an interdisciplinary and inter-professional team, with the participation of all civil servants, regardless of their training, experience and position, and whether they are engaged in central or in sectoral activities.

There must be a close and harmonious relationship between the human resources available for planning and the professional and technical in-service training programmes, in addition to other operational features provided by a sound civil service personnel management.

It is obvious that well trained civil servants are better fitted intellectually and psychologically to participate fully in this process. They will also be readier to understand and endorse the broad aims of integral development; such personnel is not an isolated factor, it is at once the agent and the object of the process. The man working for the State is the main element that will condition the transformation process, which must begin in the minds and the feelings of each individual, and can later be shared with other participants in those activities and with users outside the public sector.

Therefore, the planning process — interpreted not as an end but rather as a tool for integral development — must be based on a sense of participation and achievement on the part of each and every one of the officials and employees who participate, directly or indirectly, in the planning process.

In a good planning system there must be a constant exchange of information between the central unit and the sectoral units, and even the lowest operational levels in each public office and institution. The system must be organized as a series of communicating chambers which will prevent some units from being isolated and the central office from becoming a centre of command; on the contrary, the latter, as a service instrument, must be the strategic centre where all the different tasks of the entire public sector are co-ordinated.

It is thus possible to avoid what happens when over-all plans are prepared without the necessary consultation, without the participation of sectoral units, or in ignorance of the implementation possibilities at the operational level. On the other hand, those with executive responsibility at the operational level or in the sectoral units do not always carry out their activities in accordance with the approved over-all plans, or, even more serious, they work without any plans whatsoever, or when they have a plan they follow it mechanically and without due consultation.
The information referred to above must be complemented with the development of procedures that will permit a periodic and timely evaluation of the manner in which the plans are being implemented.

Parallel with, and in addition to the preparation of over-all and sectoral plans, all the measures needed for their implementation must be foreseen and defined, such as the use of governmental policy mechanisms, the specific definition of programmes and projects, the adaptation of the legal and administrative framework, etc.

(b) The budget system

Programme and performance budgeting is a new technique used in the preparation of government budgets. It pays particular attention to what a government does rather than to what it acquires. ⁸

This approach transforms the budget into a short-term operational plan for the implementation of public sector functions, presupposing an effective integration of the planning process. Thus unity of action in the whole sector is facilitated, since the budget becomes an instrument which regulates public administration activities.

The structure of the budget document shows the different functions, programmes, activities and projects being implemented through the various government offices and other public institutions; during its implementation, the system seeks greater administrative efficiency through a better combination of the human, material and financial resources assigned to each programme unit.

Since this technique makes it possible to overcome the limitations of the traditional budget – which is basically a list of expenditures with emphasis on control – most of the Latin American countries have introduced it as a complementary and necessary tool for the planning process.

For the efficient development of this system, it is necessary to institutionalize it through a budget organization in the form of a pyramid, with the central budget office at the top, and the sectoral budget units of the ministries and the functionally and geographically decentralized institutions at the base. The central budget office is responsible for enforcing compliance with the organic budgetary norms for the whole public sector – which are established by the laws and regulations throughout the whole budgetary cycle, from programming to the closure of the budget accounts and the evaluation of the extent to which the programmes have been carried out.

The centralized direction of the budgetary process has its counterpart in the regulatory authority which the central budget office must have. By virtue of this authority, the central office can send out technical instructions to all the budget offices of the public sector regarding the whole cycle of budget preparation, programming, implementation, etc. Thus, the attitudes, practices and defects of the bodies responsible for budget administration will gradually be modified.

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⁸ United Nations, "Presupuesto de programas y de ejecución por actividades" (E/CN.12/BRW.1–L–1959), quoted by Gonzalo Martner in El presupuesto por programas y actividades (ESAPAC/EXT/1005/64, No. 413).
In order to attain those objectives, substantial changes must also be made in the organizations that discharge certain functions closely related to budgetary activities, such as, the offices of the comptroller and the government auditors, the accounting offices, the tax or public revenue offices, and other financial bodies, in order to adapt their systems to the nature and needs of a performance budget. All those bodies which are part of the budgetary process must co-operate in complying with policies and programmes, since the budget is one of the main instruments of planning for the attainment of public sector development objectives.

The central budget office is responsible for preparing the whole public sector budget, on the basis of the budget estimates prepared by each of the budgetary units in the ministries and in the functionally and geographically decentralized organizations. Those estimates are prepared in accordance with the guidelines issued by the central office on the uniform preparation and presentation of programmes and, as far as the level of activity is concerned, taking the medium- and long-term development plans as a point of reference.

(c) The administrative modernization system

Laureano López Rodó has said that it is better to use the word “modernization” instead of “reform” for the process of improving the administration which must be the guiding light in the work of bringing administrative structures and procedures up to date and into line with development plans and objectives.

As López Rodó says, our task is constructive rather than reformative. We are far less concerned with the past than with the future. What interests us most is finding a new approach to our administration, one that will make it more expeditious and more efficient. Ours is a distinctly positive task, i.e., to improve all aspects of the administration and, above all, the position of civil servants.9

The process of administrative modernization tends to introduce scientific concepts of administration into the traditional (and not always technical) criteria for organizing the public sector. Thus theory harmonizes with its practical application, which facilitates the constant revision of the bases for the formal organizational framework and of the procedures which give it flexibility, so that its structures and methods can be adapted to changing development needs.

Furthermore, the process of administrative modernization avoids sudden changes or improvisations and the relevant plans provide for the different stages in a logical and timely sequence, as compatible with the requirements of other plans, budgetary resources and available personnel.

According to ECLA, the administrative situation must be analysed and the objectives, targets and resources must be determined using the same methodology as in the establishment of economic and social development plans. The first step must be to prepare an appraisal of the general administrative situation in each country, which

would be followed immediately by a more detailed appraisal by sectors and finally, in a third stage, by institutional appraisals. This will make it possible to determine and make a thorough study of the general administrative problems of each country, of those affecting each particular sector, and, in detail, of those affecting each unit participating in the national development planning process.

On the basis of this diagnosis and detailed analysis of the true administrative situation, a start must be made on over-all administrative planning for the public sector, sectoral administrative planning and institutional administrative reform in line with each country's economic and social planning needs.

If such a method is not used in analysing the administration, there is a risk of continuing with piecemeal reforms which are unlikely to yield satisfactory results, to judge from the magnitude of the remaining problems.\(^{10}\)

Just as there are plans to diversify and increase exports, or for cultural improvement through mass literacy campaigns, great pains must also be taken with planning the modernization of the administration which is more than a reform and far more than “organization and methods” studies, which are aimed at minor technical improvements.

The experience of several countries shows that over-all modernization must be implemented by stages, choosing institutions, procedures or systems which are given priority as key factors for development. Priority may also be assigned to administrative modernization activities which, without being closely tied to the development plans being implemented in a given period, will have positive or negative projections over the medium or long term. A case in point is the establishment of a merit system and an administrative career for all public servants, the organization of a modern municipal tax system, etc.

It is important that administrative reform should not be directed towards the solution of particular problems which are not contemplated in the plans, as this might involve a task of gigantic proportions.

However, within a given plan, the work of improvement can proceed from the particular to the general or vice versa, or in both directions, that is, from units and offices to ministries or institutions; from sectors to systems; from small bodies to large organizations; from tasks to institutional activities or functions of a similar nature, such as, for example, those carried out by the different components of the national education programme, the social security programme, etc.

Administrative modernization requires professionals and technical experts with different kinds of training and experience; it is essential to organize as part of the plans of action – which will be put into effect by the personnel system – in-service training courses and supplementary professional training courses.

\(^{10}\) Problemas de administración pública en los países en desarrollo en la América Latina, op. cit., p. 15.
as the administrative machinery adapts to the functions of planning and preparation of a national budget, with the purpose of fully implementing the general development plans. 11

Since there are very few Latin American countries that have a merit and career system, there is little security of tenure for top-level, intermediate or technical personnel. Accordingly, the decision-making lacks the maturity, experience and flexibility required. This insecurity of tenure in senior posts is aggravated by the absence of personnel policies providing for the payment of suitable salaries, in line with professional salaries outside the civil service, which might encourage people to work for the government. Consequently, administrative modernization is often held up or brought to a complete halt and, in some cases, there is a return to administrative methods and structures that had been abandoned, mainly when there are changes at the higher administrative levels.

Training for administrative modernization and for all the other priority systems which are studied here, as well as for other areas of the public sector (especially governmental) must be designed mainly for those occupying lower or intermediate positions in the administration, since there is more likelihood of stability in their case than at the higher levels. Once trained and given the proper motivation, they will co-operate better, and will have a multiplier effect on both the higher and the lower levels.

Besides generalists and specialists in administrative analysis, the modernization teams will have to comprise experts in the substantive work of the department concerned who, in addition to their own professional or technical knowledge, have some knowledge of administration.

In some Latin American countries administrative modernization must be started in the office of the Chief Executive itself, extending from there to other policy-making levels and thence to the supervisory and operational levels. When the process is reversed (in other words, when it works from the bottom up), there is a risk either that the necessary political understanding and support will be lacking or that a rationalization process will be embarked upon without clearly defined, up-to-date or well justified objectives.

The secretariat of the Economic Commission for Asia and the Far East said in 1967 that it was necessary to create an awareness that administration is an important means of achieving economic and social goals; otherwise, it would be difficult to arouse interest in the adoption of effective measures designed to improve administrative performance. This change of attitude and this awareness must originate at the top government level, because administration is fundamentally a projection and a tool of the political process and it is not possible to achieve important progress in administrative reform without the support of those who really wield political power. In practice, the impetus towards administrative progress must come from the actual leaders of the country.

Experience also shows the imperative need for a legal framework and a system of legal procedures capable of responding promptly to the demands deriving from development and the modernization of the administration.

11 Ibid., p. 9.
The central office of the administrative modernization system must undertake research, prepare over-all programmes, and lay down technical regulations for the sectoral units, which, thus oriented, will have to do likewise in their own areas.

(d) *The personnel management system*

Development consists, to a great extent, in a change of attitude which will permit not only the achievement of broader economic aims and a fairer distribution of the social benefits which follow, but also the opening up of better prospects for the people. That is to say the underlying force or factor of development is man, every single man in any country.

The Currie Mission to Colombia has said that *the efficient operation of any human institution depends, in the last analysis, upon the quality of the people of which it is composed. The Government, which is above all a human institution, reflecting the whole constantly varying complex of man's forces, failings, hopes, fears and expectations, is no exception to this principle. The success or failure of government action depends upon the persons in charge of carrying it out.*

Therefore, not only the government but the State in the broadest sense of the word (the public sector) must have a merit and career system for its personnel administration. Such a system guarantees equal opportunities for all citizens who wish to serve in the public service, without distinction as to religion, political beliefs, race, etc., which is, in practice, recognition of their human rights.

A candidate's eligibility should be judged strictly on the basis of ability, knowledge, experience, etc., through the application of technical methods in respect of selection, recruitment, job assignment, post classification, objective criteria for remuneration based on his functions and authority, promotions, transfers, change of post, change of career, training, retirement and pension, etc. If the merit and career system is to be established and operate successfully, the following prerequisites are necessary, within the framework of a plan:

*(a)* Legal instruments, consisting of constitutional provisions and laws, general statutory provisions in the civil service as a whole and specific provisions for the ministries, offices, decentralized bodies and special careers in the public service, such as teaching, law, the diplomatic service, a military career, etc.

*(b)* A personnel management policy compatible with the country's needs, resources and expectations, which, rather than extending paternalistic protection to public servants, will promote the full development of their personality, with due recognition of their rights and duties. Importance must be given to the formulation of personnel management policies oriented towards the solution of national development problems.

The personnel management policy must also cover other important questions such as: the relationship between national education programmes and selection.

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and recruitment needs; the relationship between professional training programmes and the in-service and supplementary training programmes designed to provide the State with skilled manpower; the relationship between civil service salary scales at different levels and in different areas and those for the private sector.

(c) The following institutional instruments which make up the civil service personnel management system:

(i) The central office;

(ii) Sectoral personnel units, located in all the different public branches; and

(iii) The judicial organ of administrative law.

The central office for the system directly regulates all the sectoral units of the Executive and indirectly, through technical norms, it also regulates the personnel activities of the different sectoral units located in the other branches of the State and in the functionally and geographically decentralized bodies.

These regulations are not issued, nor do they operate, as commands from above likely to establish a type of communication different from the formal relationships of the institutional area in which the sectoral units are located. They operate through the basic staff functions, i.e., advisory assistance, information, and review and control of regulations, on the orders of the Chief Executive, by virtue of his technical and legal authority.

These regulations permit the application, both in the central government and in the decentralized administrations, of technical methods for putting the merit and career system into operation through the sectoral units, which thus follow the same guidelines and the same civil service personnel management policy, while each retains its own characteristics and its proper relative independence.

The judicial organ of administrative law studies and reaches decisions on individual and collective disputes relating to the public administration. It is generally organized on the lines of a tribunal, board, committee or court, which operates within the framework of the Executive but is quite independent of it.

2. The auxiliary central systems

(a) The statistical system

Statistics provide information on different aspects of population, production, distribution, climate, international trade transactions, price indices, etc. This is done through periodic investigations, in the form of censuses or surveys, or by preparing statistical series on the basis of information from administrative sources.

The organization of periodic investigations requires a considerable human and financial effort because so many people have to participate in the collection process; it also demands further laborious effort in the stages of scrutiny, coding, tabulation, analysis and publication of the data. This work is usually done by the central statistical office, but it requires the co-operation of many other government offices and bodies; thus census administration, by its volume and nature, represents a real challenge to the country.
The gathering of data for statistical series—which is also done periodically, usually on a monthly basis (the data later being tabulated on the same basis) and also quarterly, half-yearly and annually—demands another type of organization. The data is obtained from the sectoral units of the system, each of which frequently prepares and processes the statistics for its particular area, and often even tabulates and publishes them, when it is a “decentralized or semi-decentralized” system; all these activities must be carried out in accordance with regulations issued by the central office or recommended and implemented through it. The central office is also responsible for disseminating throughout the entire system the recommendations or statistical norms agreed upon by international bodies, which are intended to achieve international comparability in such matters as definitions, nomenclature, methodology, minimum tabulations, etc.

It is the responsibility of the central statistical office to ensure that the statistics produced are comparable on the national, regional, inter-American and world levels.

The production of permanent statistical series—particularly census statistics—is a costly process, but it is justified by their usefulness. Therefore there must be a real sense of purpose and adequate planning in all the processes involved. Experience in several Latin American countries shows that frequently efforts are made and large sums of money are spent on data collection, but not on the subsequent stages of manual and mechanical processing, analysis and publication of results.

The central office for the statistical system must be technically and administratively capable of furnishing the different sectoral units with advisory assistance in investigations, mechanical processing, publication of series in the statistical yearbook and in the periodic bulletins published by statistical service. The purchase or hire of modern electronic data-processing equipment and the enormous amount of work with which it can deal do not justify its widespread use in the different sectoral units of the system. It is for the central office to assist in the tabulation process, while the card-punching of the results of surveys and of the permanent statistical series could be done by the various sectoral units.

A modern statistical system must publish up-to-date data, and the central office should co-operate with the sectoral units in this task; this is an excellent means of co-ordination, since the sound planning of the tables to be regularly included in the yearbook and in the periodical bulletins facilitates the integration of activities right from the start.

The real purpose of the statistics must also be reflected in a close relationship with planning, as they help to decide the content of the investigations, what analyses shall be done and what tables or charts shall be published, etc. This is especially important in the case of data required to determine goals, evaluate the results of planning and help guide other activities in the priority systems for development.

The organization of a national statistical council may be very useful for the exchange of ideas, experience, etc. and in enabling the central office of the system to conduct the country’s statistical activities and establish criteria for the whole system.
(b) *The public accounting system*

As is well known, accounting consists of a set of principles, rules and procedures for the systematic recording of the operations and transactions of the administration and of its financial position and the results of its activities; its aim is to provide the policy-making bodies with the instruments of analysis that will provide adequate information on the financial situation of the organization or enterprise so that it can be properly guided and managed.

It is evident that the government sector of any country could not be efficiently administered if the national wealth, the real amount of its income and resources, its current and capital expenditures and the details of other financial transactions were not known.

Public accounting is concerned with the rules, practices and procedures for recording the financial and budgetary operations and balance sheets of the public entities administering the different bodies of the government sector and public and semi-public enterprises.

Over-all economic planning has revealed the need to establish a system with a central body and sectoral operational units. The former is responsible for prescribing accounting standards, and for seeing that they are complied with, in order to facilitate the consolidation of all the financial operations of the government sector, and the drawing up of a balance sheet in the entire sector and economic and financial balances for the sectors it comprises. The sectoral accounting units work within their own areas of responsibility in whatever degree of detail may be required.

The objectives of public accounting are best achieved by training a central body to supply different sectors with reliable and prompt financial information for different purposes. This need has been recognized at the various technical meetings on budgetary, accounting and financial control problems held by the United Nations in various parts of the world, which have recommended that, in view of the changes that have occurred in the scope and content of government operations in recent years, it is necessary to centralize and reform public accounting so as best to satisfy the demands made by planning and performance budgeting.

The central office for the system must regulate, by means of technical norms, the accounting activities of the central government sectoral units and of the decentralized bodies, all of which must adhere to the same centrally established accounting plan and methodology. Likewise, the central office must give advisory assistance to all units of the system, and the sectoral units, in turn, must furnish the central office periodically with the information required for the consolidation of the balance sheets.

If the central accounting system is to function efficiently, it must operate within its own area in perfect co-ordination with the other centralized systems, particularly budgeting, and purchases and supplies. It must also work in close co-operation with units of the Treasury and the Office of the Comptroller or Board of Auditors, the former being a subordinate body of the Ministry of Finance, and the latter of the Legislature.
(c) The purchases, supply and storage system

This is the last of the priority systems for development administration, but that does not mean that it is less important than the other auxiliary or central advisory systems already mentioned.

A purchases, supply and storage system reduces operational costs, increases over-all efficiency, and improves the relations between the different government bodies and public and private suppliers and users. Experience has shown that it is not advisable to give a single centralized office sole responsibility for the purchase, supply and storage of all the goods acquired -- although it is sometimes done. As in the case of the priority systems mentioned above, it is preferable for the central office to establish norms and to regulate the methods, procedures and practices, while stimulating action at the respective levels of operation of each sectoral unit, wherever these may exist.

Centralized purchasing may sometimes be advisable, as in the case of items in common and widespread use. This ensures greater uniformity in quality and lower prices, and facilitates the filling of requisitions for the different organizations or bodies concerned, since orders can be filled directly from stocks, without the need for new bids and small orders in every case.

This system also permits uniformity in the purchasing of certain articles such as office equipment, vehicles, furniture, etc., which facilitates and reduces the cost of maintenance and the organization of a repair service, since there will be a stock of spare parts which can be extensively used.

With systematic purchasing (although on a flexible basis which may even admit of a certain degree of decentralization), not only are costs lower, but the purchasing is done more efficiently and relations between the unit concerned and its suppliers are better.

The same recommendations that were made for the other priority systems also apply to the operation of the purchases, supply and storage system; that is to say, standard-setting by the central body in order to ensure the co-ordination of activities and the greatest possible measure of operational independence for the sectoral units within the limits of those standards, thereby encouraging their initiative.
SOME FACTORS INVOLVED IN APPRAISING ADMINISTRATIVE
PERFORMANCE IN DEVELOPMENT PLANNING

By Bertram Gross*

INTRODUCTION

The capability of organizations — public, private and mixed — to get
desirable results is one of the major factors in economic and social development.
However, organizations do not run by themselves. They must be administered.
Accordingly, the capability of an organization often depends upon the capability
of the administrators or managers of the specific organization concerned and
those in charge of other closely associated organizations.

Any serious effort to improve administrative and organizational capabilities
implies a logical assessment of the strengths and weaknesses of such capabilities.
Practical people can perceive these through intuition and personal wisdom.
Although organizational theory and the academic study of public and business
administration are still under-developed branches of science, they may make a
small contribution to the improved exercise of intuitive wisdom. The purpose of
this paper is to suggest ways in which this contribution may be enlarged. In so
doing, we shall use the term “administration” (or “management”) in the modern
sense of the process of getting results through organizational action. This helps
to avoid the “fallacy of administration as technical gadgetry”.

This paper will concentrate almost entirely on the kinds of information
needed for a serious diagnosis of organizational performance. Part A deals with
the relations between organizational performance on the one hand, and an
organization’s structure and environment, on the other. Part B, then identifies
the major dimensions of organizational performance, while Part C stresses the
careful selectivity that is needed in choosing the most relevant indicators of
performance (as well as of organizational and environmental dimensions). No
effort is made to discuss either: (a) the psychological, social and political
obstacles to serious appraisal, or (b) alternative strategies for building up
improved capabilities — that is for moving from diagnosis to therapy. These
subjects are probably more important, but it is doubtful if they can be handled
effectively without improved techniques of appraisal and evaluation.

* ST/ECLA/Conf.30/L.14.

1 United Nations, “The administration of economic development planning: principles
   and fallacies” (ST/TAO/M/32), X, para. 26.
A. THE CAPABILITY OF ORGANIZATIONS AND THEIR ADMINISTRATORS

As already suggested, a start will be made by regarding administrative capability as the capacity to get various results through organizations. For this purpose an organization may be regarded as a man-resource system performing certain activities through interaction among its parts in relation to an environment.

The results that administrators may obtain through organizations may therefore be ascertained in terms of changes in performance, in organizational structure or in environment.

1. Performance

The results that affect the lives of the majority of people most directly are the performance or current activities of organizations. Thus an appraisal may be made of a tax collection agency, an agriculture ministry or a research division by obtaining information of what they have done, respectively, to collect taxes, promote agriculture or conduct research. Indeed, in judging the present capability of any of these, both past performance and its estimated potential future performance may be taken into account.

In doing this, the appraisal may at times be narrowed down to the specific activities of a single administrator or a group of administrators – to note how they have performed in the past or may do so in future; but their performance must be related in some way to the performance of the organization. Otherwise, it is impossible to know whether an organization has done well despite an administrator or, if it has done badly, whether the administrator should be given credit for having prevented it from doing worse.

It is also important to consider the performance of both over time, as suggested by the following illustration:

Let us look . . . at a series of events which often take place in a department or plant engaged in an operation where performance standards or production schedules can be set. A man is put in charge of such a plant or department knowing that he will be favorably judged and rewarded if his department achieves a high level of production. He puts a good deal of pressure on his subordinates and pushes production up. Measurement of the end-result variables indicate that he is a “fine manager.” In a year or two his reputation earns him a promotion to another department, where he repeats the performance. In the meantime, hostilities have been developing in his subordinates and those below him in the organization. Just about the time that he moves on, the results of his unreasonable pressure begin to show up in decreased loyalty in the organization, lack of motivation to do a job, turnover, slowdowns, and scrap loss. The new manager reaps the fruit of the promoted manager’s behaviour and gains the reputation of being a “poor manager”, for almost as soon as he takes over, things begin to fall apart.

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2 The term “system”, however, is often used in the much narrower sense of a certain kind of performance – that is, systematic methods or procedures. This is quite different from the broader use of the word “system” to refer to a set of interrelating components engaging in transactions with an environment.

2. Structure

But the performance of any organization and of its administrators is vitally affected by its internal structure, that is, by its component units and their interrelations. It is these units — both individuals and groups — who perform. Their capacities and the way in which they are co-ordinated set limits on performance. They may also provide opportunities for further utilization. It is therefore possible to infer certain kinds of future performance from an examination of present structure.

Some kinds of performance, of course, are designed primarily to change an organization’s structure. Nevertheless, structures change (develop or run down) even without efforts to change them. It is a great mistake to regard either the components of an organization or their interrelations as fixed. Both performance and structure are aspects of social processes, the former usually being more fluid and the latter more stable.

3. Environment

Rather than being a closed system, a human organization operates in an environment. A vital part of its performance involves obtaining resources from the environment, providing services to external groups or individuals and responding to external influence. Important parts of its structure are designed to provide environmental linkages or respond to environmental changes. An organization’s environment always provides constraints on the growth of its capabilities. It may also provide — although these may be harder to see — unique challenges and opportunities.

One of the most invaluable forms of administrative capability is the capability to understand rapid and confusing environmental changes and to develop an organization’s capacity to adapt creatively to these changes. An organization’s performance in changing certain aspects of its environment may have as many implications for the future as changes in its internal structure.

4. From single organizations to larger systems

Thus far we have been discussing single organizations. This is an appropriate starting-point. For some administrators and students of administration it is the focal point. Wide-ranging programmes of administrative reform may sometimes underestimate the importance of building single organizations capable of getting results. Ambitious development plans may easily become grandiose and unfeasible unless based on what specific organizations can do. Macro-planning, to be effective, must lead to some sort of micro-planning, whether public, private or mixed.

No organization with an important role in the development process can be self-sufficient. Its capacity to get desirable results rests, in part, upon services that can be provided only by other organizations. It is therefore important to look at administrative capability in the broader framework of more inclusive systems such as sectors, clusters or networks, and territorial entities.
Sectors. Sectoral programmes occupy a strategic middle ground between micro- and macro-planning. Input-output matrices, where feasible, may provide useful information on intersectoral relations, thereby avoiding the danger that any one sector, such as agriculture, be regarded as autonomous.

Networks or clusters. Sometimes a "sector" is merely a classification category; but as development progresses, there is a tendency for the various units in a sector — say, household farms, larger agricultural enterprises, associations, co-operatives, banks and other formal organizations — to come closer together through complex networks of communication, transactions and mutual influence. At certain points in such a network, say, an agricultural bank, administrative capability or incapability may have profound effects.

Some organizations also work together in clusters or constellations — that is, groups of closely interacting organizations. One of the most important of such groups is the central guidance cluster. Any single national planning agency, whether it be called a commission, council, board or ministry, serves such important symbolic, ceremonial or catalytic functions that it may be mistakenly regarded as the single implementation organ. The effective formulation, activation, evaluation and readjustment of social and economic development plans require "a cluster of central government agencies performing various roles not only in the provision of specialized and general staff services but also in national leadership, financial management and the handling of critical problems".4

Teritorial entities. Every industrializing nation faces difficult developmental problems in various geographical areas. One of these is the lack of sufficient administrative capability in both smaller localities and larger regions.

Any subnational territorial entity — whether local or regional — may be regarded as an aggregation of individuals, families and various kinds of organizations. Some of these organizations are branches or field offices of national organizations.

The appraisal of administrative capability in these areas and particularly the development of practical programmes of improvement, is immensely difficult. Although this subject cannot be discussed here in detail, it is pointed out that the performance-structure-environment indicators are relevant also to organizations and larger systems at the local and regional level.

B. FOUR ASPECTS OF PERFORMANCE

Information on the financial aspects of organizational performance is found in government budgets, auditing reports on expenditures, and the income (or profit and loss statements) of government corporations. Similarly balance-sheets report on the financial aspects of organizational structure, that is, the structure of assets and of the various claims (debt or ownership) against them.

Historically, the first major step in government budgeting has been to collect lists of expenditures for each agency and for all government agencies as a whole.

4 "The administration of economic development planning: principles and fallacies", op. cit., para. 123.
These are variously classified as objects or items of expenditure for example, salaries and other payments to personnel, travel, rent, purchase of supplies and utilities, etc. In systems terminology these are the outlay costs of inputs. A major purpose has been to protect against illegal or dishonest use of funds. Lists of this type, however, are not particularly useful for guiding decisions on the allocation of funds or the administration of programmes.

The term “performance or programme budgeting” refers to more recent efforts to relate the costs of inputs to the actual services (or outputs) provided. This involves at the very least an identification, and preferably information on the quantity and quality, of the services provided. It represents the application to government of cost accounting techniques established in business. With government agencies that do not sell their services, however (and this applies to most regular government agencies), there is no monetary sales value to be used as an initial indicator of value to the country. Some outputs may be efficiently produced but of little use, i.e., roads that lead nowhere or studies read by nobody.

The most recent stage in government budgeting, often referred to as systems analysis, brings information on benefits into the picture as well. Thus, the aim of the new Planning-Programming-Budgeting System (PPBS) in the United States Federal Government is to provide information on:

(a) “The direct and indirect outcomes (benefits or disbenefits) likely to result from . . .”

(b) “Certain types, quantities, and qualities of end-product output (often intangible services) made possible by . . .”

(c) “The use of inputs whose costs are realistically estimated.”

“These complex variables are employed in making long-term projections, in comparing established programmes with a variety of alternative programmes, and in evaluating policy alternatives within established programmes.”

The essence of this benefit-output-cost budgeting is that it goes beyond financial information and puts traditional government budgeting in the broader framework of programme and policy planning and evaluation. It also provides an appropriate framework for appraising methods rather than looking at methods improvement apart from the results they are presumed to yield.

1. Output

Output performance may be defined in terms of the kind, quantity and quality of the services provided.

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6 Ibid. Additional information on this new approach to budgeting is found in the symposium in the Public Administration Review (December 1966) and in “The administration of economic development planning: principles and fallacies”, op. cit., pp. 89-94.
In a predominantly market economy, the best general measure of output performance for the economy as a whole is the national product (gross or net). This calculation can provide a continuing picture of the different kinds and quantities of output: primary (agriculture, forestry, fishing, mining), secondary (manufacturing and construction) and tertiary (services). Distinctions may be made between output currently consumed and output invested in future production capacity. The real value of output may, under certain circumstances, be regarded as reflecting changes in quality as well as quantity. Serious problems arise, however, when adjusting for changing price levels.

In a pre-industrial society, with a large part of agriculture and other activities not “monetized” or fully within a market economy, the national product (while still a valuable indicator of national performance) is less generally applicable. Moreover, statistical reports on sales volume and monetary value (even apart from large subsidies through protective tariffs, favourable exchange rates, etc.) are less reliable. Considerable effort is needed to obtain a really useful (instead of synthetic or misleading) calculation of output in terms of monetary value. It is also important to judge performance by physical measures of output, even in the case of sectors and enterprises (private or public) whose output is sold.

In the case of most organizations that do not sell their output (i.e., the bulk of government services), direct monetary measures of output performance are not available. The money an agency spends (although used as a surrogate of output in national economic accounting) is a dangerous measure to adopt in judging its performance.

Measures of the real volume of output are relatively easy to obtain in the case of government organizations producing goods (such as dams, roads, public buildings and housing). Here the basic problem is to focus on the full units of output, even if this requires a longer time span than is provided in an annual budget. One of the purposes of the new style of budgeting is to focus on such units.

Physical measures of output are extremely difficult to obtain in the case of all government services that are:

(a) *Intangible*, as in the case of education, health, research, police, advice, assistance and regulatory activities;

(b) *Controversial*, as in the case of regulatory activities and top-level decision-making and planning, where there are usually major ambiguities as to the very nature of the services, which develop as a way of easing or avoiding conflict; and

(c) *Standby*, as in the case of peace-time military service, (where it is usually assumed that the capacity to do certain things may, by acting as a deterrent, avoid the large-scale use of such capacity).

One of the aims of the new style of budgeting is to develop more appropriate output categories for intangible services. This involves experimenting with different classifications of end-product services. Thus the services of a hospital may be classified generally (in terms of preventive, diagnostic, therapeutic, training and research services) and specifically (in terms of obstetrics, paediatrics, internal medicine, surgery, etc.). The “output mix” of a school may be classified in terms of level (from kindergarten to graduate and adult...
education), curriculum (course content), orientation (vocational or academic), or of the balance between instructional, counselling and research services.

It is also essential to distinguish between the services that an organization provides to its clientele and the activities that represent investments in its own capacity. These may relate to the various aspects of structure, which are not discussed in this paper. At this point, however, it is important to note that any organization can perform more effectively over the short run by neglecting to invest in its capacity to perform effectively in future.

With service categories established, it is essential to find indicators of the quantity of services rendered. Judicious use must often be made of such indirect indicators as:

(a) The number of clients served (e.g., students of a school, patients in a hospital, etc.);
(b) Service duration (student-years, bed-days, etc.);
(c) Intermediate services (memos written, meetings held, tests given, etc.);
(d) Subsequent activity (number of graduates, discharges, etc.); and
(e) Inputs used (total costs, number of teachers or doctors employed, etc.).

The quality of output is often as important as quantity and kind. Indeed, there is a dangerous tendency for increases in quantity to be obtained at the cost of quality.

Output quality is multi-dimensional, with high performance on one aspect often counterbalanced by low performance on another. The nature of output quality may be inferred from such performance variables as the following:

(a) The characteristics of the service provided;
(b) The benefits or disbenefits resulting from it (discussed in section 2 below);
(c) The quantity and quality of the inputs (section 3 below); and
(d) The methods used (section 4 below).

2. Benefits

The capacity to increase the quantity of services does not necessarily imply a capacity to raise the level of quality, let alone maintain past levels. In many developing nations the number of pupils in primary schools and the number of health clinics have been rapidly increased, but at the cost of lower quality service that does not adequately meet national needs in these fields.

When benefits are appraised, the following indicators of clientele satisfaction should be considered:

(a) The presumed results (or outcome) of the service: e.g., what the pupils may have learnt (as indirectly indicated by examinations, continued education and subsequent employment and income); health of patients or "cures", etc.;
(b) Opinions expressed, favourable and unfavourable, solicited and unsolicited;
(c) Choice made: the extent to which people come or stay away; and

(d) Payments made: the extent to which people have been willing to pay something for the service (even if on a non-profit basis).

Sometimes the most important need is a substantial and rapid increase in "lower grade" services such as the education of semi-skilled workers and technicians, as contrasted with that of engineers and research scientists. Here it is important to think of the high quality standards appropriate to a "lower" level of activity.

The fact that an organization produces certain services in large quantities or at a high level of quality is, in itself, no assurance that these services meet important needs. Indeed, it might be much more desirable for the same resources to be used to build up the capacity to meet other competing needs.

In appraising the "output mix" of the economy as a whole, the use of a Leontief-style input-output matrix (provided minimum information is available) can be helpful in spotting possible bottlenecks and judging feasibility and consistency. For instance, when national leaders aim at certain agricultural, industrial and export goals, it may help to indicate the inputs required from various sectors. But it cannot by itself provide a definitive answer to the question of whether these and not others are the most desirable agricultural, industrial and export goals. Nor can it, at least in developing nations, provide specific guides with respect to the kinds, quantities and quality of educational, health and research services needed as inputs.

In considering the "output mix" of the government sector, however, it should be possible to develop a matrix of essential government services. Through the judicious use of this kind of matrix it might be possible to spot the development of over-capacity at certain points compared with undercapacity (bottlenecks) at others.

Thus, in the central guidance cluster itself, some countries may at one time or another build up certain types of economic analysis at the expense of others that may be needed equally urgently. Similarly, central economic analysis may be given undue weight in contrast with other functions bearing on plan formulation, activation and evaluation. It is also essential to consider the extent to which this cluster may meet needs for power group representation, for liaison, communication, interpretation and bargaining services, and for expert analysis in a variety of quasi-economic or non-economic fields.

No one agency or government can by itself provide services to assure that more people will enjoy minimum levels of employment, health and vitality, security and self-respect. But government policies may contribute to the fulfillment of such needs by their direct and indirect effects on the distribution (as well as expansion) of employment, income, assets (including housing and other tangible goods as well as savings), public services and opportunities for participation in decision-making.

One of the major contributions of a central guidance cluster is to develop the capacity to obtain and disseminate regular and increasingly reliable information on the living standards of the great majority of the population. Such information is essential to the continuing evaluations that must be made by private organizations (profit or non-profit), local governments and individual government agencies as well as by national leaders.
In addition to economic data, which are indispensable, such information must include various indicators often regarded as non-economic or social. The terms “social accounting” or “systems accounting” have often been applied to efforts to develop a system of regular reporting of significant information on the fields in which a country may be moving ahead and those in which it may be falling behind in the development process.

It is important that development administrators should not make the mistake of using the term “social” in the sense of “non-economic”. Thus in appraising the social benefits of a new factory, it is essential to include attention to such economic indicators as: (a) direct and indirect foreign currency costs, and (b) the “real” costs (as distinguished from the “outlay” costs) of employing labour that would otherwise be unemployed. There are widespread tendencies for the first of these to be underestimated (with favourable profits making a dangerous drain on a nation’s resources) and for the second to be overestimated (with losses or low profits concealing economic gains to the nation).

3. Costs

As the resources needed for development are in short supply, constant attention must be given to their allocation among competing programmes. Indeed, with progress in the development process, more and more agencies originate more and more attractive ideas for providing more and better services to meet the growing variety of human needs and demands. The competition for the resources allocated by the government becomes increasingly intense, and realistic cost estimates become increasingly important.

Although the new benefit-output-cost approach to planning and budgeting provides a good framework for cost estimating and reporting, administrators must recognize that traditional methods of calculating costs may lead to serious errors. They must develop new capabilities to deal with such facts as the following:

(a) The money spent by a given organization may not relate directly to the resources used by an inter-organization programme;

(b) The money budgeted for a given programme may not reflect resources used for the indirect support of that programme by some external agency or provided in the form of free services or subsidies;

(c) The fact that an agency receives money for certain purposes does not mean that it can find the real resources required, e.g., scarce personnel or machinery that simply cannot be obtained;

(d) Both public and private organizations tend to underestimate future capital expenditures (the “foot in the door” approach), as compared with the opposite approach of overestimating current expenditures;

(e) Manpower and labour cost figures often tend to conceal rising capital costs;

(f) There is no one objective way of allocating common (overhead or indirect) costs to specific outputs, distinguishing between current and capital costs (which may appear in different budgets), or estimating the costs of depreciation or withdrawals from inventories.
There are other inputs that do not usually enter into formal estimates of outlay costs. These include the uncompensated extra or overtime work of employees and the “wear and tear” upon them as well as upon machinery. Also, information is a scarce resource of strategic importance. But techniques for the formal estimation of the costs involved in obtaining and processing information are still under-developed.

It is particularly important to develop capabilities for using profitability measures in connexion with government enterprises or public enterprises receiving government support. Since profit measures provide a common measure of value for both input and output, they are the most useful measure of input-output relations and may serve as an initial indicator of benefits. Profitability measures may be used in many ways, however, depending upon whether one: (a) relates profits to net worth, total assets or sales, (b) focuses on unit profits, or (c) thinks in short- or long-range terms. Depending upon a variety of techniques for handling difficult accounting problems, they are subject to considerable statistical manipulation. They may also reflect an organization’s monopoly power and its ability to obtain subsidies, as well as its efficiency.”

Outlay costs, whether expressed in monetary or physical terms, do not always indicate the magnitude of opportunity costs – that is, the benefits that might have been obtained by using the same resources to provide a different output.

The important concept of “social costs” may go beyond both outlay and opportunity costs. This is a new area of analysis, in which “social costs”, whether expressed in economic or trans-economic terms, may refer to:

(a) Inputs that do not appear in the accounts of an organization or programme (free services, direct and indirect subsidies, etc.);
(b) Lost opportunities of doing something more beneficial; and
(c) Disbenefits (such as unemployment or water pollution) and various secondary or tertiary consequences to which certain kinds of outputs may contribute.

“Social accounting” refers to various ways of collecting information. not only on costs but also on benefits and disbenefits. The concept which is rapidly becoming a fad term in industrialized countries, is ambiguously used to refer to: (a) broader ways of appraising single programmes or organizations; (b) non-economic information on significant change throughout a country; or (c) relevant information of any type on the changing states of a given system.

4. Methods

The basic tests of the methods used by an organization or larger system are how they really work out in providing needed benefits through the provision of kinds of various output. Nevertheless, on the basis of experience (and with a

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7 Bertram M. Gross, “What are your organization’s objectives? A general systems approach to planning”, Human Relations (August 1965). It must be stressed that the last sentence of the quotation relates to government as well as private corporations.
little help from research and theory), it is possible to infer that some methods have worked out (or may work out) better than others. The inference is not easy, however. Many "experts" are attached to certain methods that may be relevant only to more developed societies with better trained people, more stable institutions and different traditions.

Some improvements in methods require large increase in paperwork and red tape. While each of these may be justified in its own terms, a number of them taken together may produce a "paperwork inflation" that can undermine the capacity of an organization or planning system to get worthwhile results.

A useful approach to methods appraisal is to judge the extent of efforts made to improve methods and adapt them to changing circumstances, as contrasted with doctrinaire rigidity. Such judgements may be with respect to methods that might be roughly classified as:

(a) Technological: the use of the most appropriate methods available through advances in science and technology;
(b) Economic: the use of the methods best designed to economize on scarce resources. Judgements in this area require calculations of costs in relation to output;
(c) Social: the use of the methods best designed to avoid undue "social" costs and produce healthy changes in (rather than an unnecessary violation of) social, cultural and legal codes of behaviour;
(d) Administrative: the use of the best methods for mobilizing resources and bringing together technological, economic and social considerations; and
(e) General: striking a due balance among all the above.

Information on administrative (or managerial) methods involves attention to the methods in:

(a) The general processes of decision-making and communication with respect to planning, activating and evaluating;
(b) Developing participation in such processes;
(c) The specific processes of budgeting and project preparation and management;
(d) Improving the capacity of different specialists, groups and organizations to work together;
(e) Building new, stronger and non-dispersed decision centres;
(f) The variety of incentives used for more effective performance;
(g) Mobilizing support for and coping with the inevitable opposition to economic and social progress; and
(h) Recognizing when a goal or programme is undesirable or impossible, and changing or abandoning it.

In the case of a central guidance cluster, special attention is needed to the methods used in:

(a) "Market administration",\(^8\) as a way of developing and using markets and price systems for the attainment of public objectives; and

\(^8\) The "market administration" concept helps to get away from the "laissez-faire illusion" with respect to the new efforts of planners to make greater use of markets and price-profit incentives. See "The administration of economic development planning: principles and fallacies", op. cit., paras. 100-103.
(b) The specific combinations of decentralization — with — centralization — that are most appropriate in the public sector.9

C. THE SELECTION OF STRATEGIC INDICATORS

The primary task of research, theory, educational activities and the inter-change of experience is to illuminate the large number of variables involved in the performance, structure and environment of an organization or larger system. This is an important protection against over-simplified or routine stock-taking or evaluation. It may also illuminate certain possibilities for improvement that might otherwise not be perceived.

Full information on past and present performance, structure and environmental conditions can never be obtained. Indeed, any effort to obtain full information would not only be unduly time-consuming; it could have a depressing effect on the under appraisal organization. Accordingly, a rational appraisal of performance capacity should concentrate on certain strategically selected indicators.

Performance, structure and environmental indicators can never be chosen by abstract prefabricated rules. Both the selection and interpretation must be made on the spot by people familiar with local conditions. Nevertheless, a major contribution to such appraisals may be made by people less involved in the details and familiar with similar organizations and situations.

The various performance-structure-environment concepts and the indicators relating to them provide more than a language for ascertaining what has happened in the past or is happening in the present. They also provide a language whether colloquial or technical, qualitative or quantitative, for expressing:

(a) Estimates of what might happen in the future;
(b) A range of choices as to what should happen;
(c) Goals or goal-sequences (sometimes called "scenarios") to which various groups may commit themselves; and
(d) Criteria for judging past, present and future potentialities, alternatives and goals.

Within the confines of this exploratory memorandum, however, we have not tried to apply or even illustrate, the suggested approach to specific situations. The utility of the concepts presented here will largely depend upon the skill of those who apply them (improving them in the process) to the special or unique situations of different countries in different environments at different stages of development and with different social systems, traditions, and cultural backgrounds.

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9 Ibid., pars. 139-158.
ADMINISTRATIVE REFORM IN COLOMBIA

By Stella Escobar Zapata*

INTRODUCTION

The first part of this study is a synopsis of the report drawn up by Mr. Aryeh Attir in his capacity as adviser to the Government of Colombia on the Commission for Administrative Reform, of which he was a member from 1958 to 1962. The later sections relate to the main events that have taken place since then, and to the initial objectives of the new reform scheduled for 1968. Exhaustive analyses of the documents and norms bearing on the work carried out (which are kept in the files of the Department of Organization and Inspection of the Public Administration) are combined with an account of the writer’s experiences as a member of the staff of the Bureau of Organization and Methods, a division of the Office of the President of Colombia which is responsible for the co-ordination, implementation and supervision of the work undertaken in this field.

A. BACKGROUND AND EVOLUTION OF THE INITIAL PHASE
OF ADMINISTRATIVE REFORM

1. Groundwork of administrative reform

In 1950, the Government of Colombia, aware of the need to adapt the public administration to the requirements of economic and social development, prevailed upon the International Bank for Reconstruction and Development (IBRD) to sponsor a mission which was to make a study of problems relating to Colombia’s economy, social organization, natural resources, demographic and political conditions, and government structures.

This mission was directed by Professor Lauchlin Currie, with whom a group of Colombian experts collaborated. The outcome of its research was the formulation of a development programme for Colombia, in which it was particularly recommended that administrative reform should be tackled as an effective way of promoting development.

Another recommendation was that in view of the magnitude of the reforms to be introduced, a second mission should be set up to analyse government

* Document ST/ECLA/Conf.30/L.25.
organization and advocate changes, primarily in the fields of planning, adoption of scientific administration systems, and redistribution of functions in the executive branch of the Government.

In the light of the suggestions put forward by the 1950 Currie Mission, the Government organized another, also headed by Lauchlin Currie, to examine the status of the public administration in Colombia. This mission prepared a long report which was published in 1952 under the title *Reorganización de la rama ejecutiva del Gobierno de Colombia*, and which stressed the need for central economic planning functions, budget organization, reorganization of the civil service and improvement of administrative and co-ordinating controls, besides emphasizing the necessity of overhauling the regional and local administrative organizations.

Owing to political factors, it proved impossible to implement the recommendations submitted by the two Currie missions.

In 1954, the Government presented another application to the United Nations for technical assistance in continuing the studies on the Colombian public administration.

This move resulted in the establishment of the first Commission for the Reform of the Public Administration, composed of three members; and to serve as the executing agency of the programme, a Bureau of Organization and Methods was set up as part of the Budget Office, with a staff of six United Nations experts assisted by Colombian personnel.

The studies carried out by this Commission were focused on the reorganization of the Office of the President of the Republic, classification of personnel, office management, training of executives, and preparation for the civil service.

Once again political circumstances prevented the recommendations from being put into effect.

In 1957-58, the Government engaged the services of yet another mission, this time a French one headed by Father Louis Lebret, to carry out a study on development conditions. This mission conducted basic research in the economic and social fields and issued a report entitled *Estudios sobre las condiciones del desarrollo de Colombia*. The keynotes of the report were problems relating to population, distribution of national income, health, education, housing, etc.

One of the main conclusions of the Lebret Mission concerned the urgent necessity of administrative reform as an indispensable prerequisite for co-ordinated development.

In 1958, under the auspices of the *de facto* Government known as the National Front, sweeping changes began to take place in the field of administrative reform in Colombia.

A second Commission for Administrative Reform was set up, composed of Colombian personnel and United Nations experts, and backed not only by effective government support but also by public opinion, which was unanimously in favour of a remodelling of administrative structures that would be a decisive factor in the successful carrying out of the tasks ahead.

The Government’s support of administrative reform was not fortuitous, but stemmed from the desire to re-establish democratic structures. Congress passed a basic law on administrative reform, and measures were then taken to put it into effect.
Every step in this direction was backed by the President of the Republic, Mr. Alberto Lleras; and the whole Government became an efficient collaborator in the studies required to convert the Colombian public administration into an instrument of development.

2. Nature and authorization of the reform

On 26 November 1958, Congress passed Act No. 19, whereby the reorganization of the public administration was authorized.

In article 1 of the Act, the terms of reference for the development of the plans to be pursued were defined as follows:

Under the provisions of the present Act, the object of the reorganization of the public administration shall be to safeguard the co-ordination and continuity of official action in accordance with progressive development plans that have been legally established or may be so established in the future; to ensure security of tenure and provide technical training for officials and employees; to streamline the civil service, and to decentralize those departments which can operate more efficiently under the direction of local authorities; to simplify formalities and procedures, with the consequent saving of time and money; to prevent duplication or parallelism of tasks or functions; and to promote proper administrative control.

The provisions of the Act also covered other matters of importance for the operation of the public administration, such as the following:

(a) Establishment of a National Council for Economic Policy and Planning, composed of the President of the Republic and four other members, of whom two would be nominated by the President, one by the Senate, and the other by the Chamber of Deputies;

(b) Establishment of an Administrative Department of Planning and Technical Services, whose functions would be to collect and analyse data relating to economic studies and to formulate development programmes;

(c) Establishment of planning offices in the various ministries for the purposes of formulating sectional plans;

(d) Organization of the civil service and of a career service in the public administration, to which end the Administrative Department of the Civil Service was set up, together with a Commission on Recruitment, Promotion and Disciplinary Action consisting of four members nominated by the President of the Republic;

(e) Establishment of a special advisory office under the Council of State, to be known as the Civil Service Advisory Office;

(f) Establishment of a Bureau of Organization and Methods;

(g) Promotion of the teaching of public administration in the universities;

(h) Decentralization of services by delegation to the provincial and local authorities;

(i) Promotion of community action;

(j) Provision of technical assistance for public agencies and local governments;

(k) Reorganization of cadastral survey systems, etc.
By virtue of the same Act, the President of the Republic was granted extraordinary powers to put the reforms into effect, July 1960 being the deadline set for their implementation.

Unquestionably, the terms of reference contained in Act No. 19 were established on the basis of the recommendations formulated by the missions referred to elsewhere. In addition, the country itself was conscious of the need for certain changes in government structures and in office procedures. Influence was also exerted by officials who had acquired experience in the past when working in co-operation with the international missions.

3. Commission for Administrative Reform

On the basis of the powers granted under the 1958 Act (No. 19), the Commission for Administrative Reform was set up, with two High Commissioners, Mr. Eustorgio Sarria and Mr. Gilberto Londoño. The former is a writer on public law, a university professor and an expert on the development of public institutions in Colombia, and the latter is an engineer and business manager with wide administrative experience and special knowledge of the problems and techniques of the private sector. Once again, this Commission was assisted by several United Nations experts, among whom the following made outstanding contributions in their special fields: Aryeh Attir (organization and methods); Sydney Lewis (general administration); Seamus Gaffney (personnel administration); Mario Vieira D'Sunha (training in public administration); Pedro Patrón Faura (personnel administration); Anthon N. Groot (store management and government purchases); Nancy Gray (administrative systems and methods); and Alexander Fleming (office machinery and equipment).

The Commission for Administrative Reform established a Bureau of Organization and Methods to support its work in connexion with the study and analysis of administration.

The personnel for this unit was selected by open competition and was given training in organization and methods. Thus the Commission for Administrative Reform enjoyed the direct co-operation of twenty technical experts, under the leadership of Mr. Guillermo Bernal Correa, Executive Director of the Bureau of Organization and Methods, as well as advisory assistance from the Commissioners and the foreign experts.

Once the internal organization of the Commission for Administrative Reform had been completed, it prepared a work programme as a guide for its activities in the immediate future. This plan of action comprised programmes for the study of the real situation in the ministries, administrative departments, public enterprises and other agencies of the executive branch of government.

The research was conducted by technical experts and specialists in analysis from the newly-organized Bureau of Organization and Methods. The data collected were analysed under the following heads:

(a) Legal bases of public agencies;
(b) Formal structure;
(c) Organization of internal activities and distribution of functions;
(d) Fiscal and human resources;
(e) Operational methods and systems applied;
(f) Systems of direction, co-ordination and supervision;
(g) Machinery used in the formulation of plans and programmes;
(h) Delegation of functions;
(i) Decentralization of services;
(j) Relation to other units.

On the basis of these analyses, it was possible to prepare a document pinpointing the most serious defects, which, generally speaking, were much the same as those noted in the diagnoses presented by the earlier missions. They may be summed up as follows:

(a) Too much muddled and overlapping legislation for each agency;
(b) Lack of clarity in the distribution of business at the ministerial level;
(c) Outdated organic structure, and lack of clarity in the determination of functions of units and by posts;
(d) Too little delegation of authority;
(e) Inadequate short- and long-term planning;
(f) Lack of co-ordination combined with over-numerous and under-efficient control mechanisms;
(g) Geographical concentration of functions.

In view of these findings, the Commission submitted the following programme of work for approval by the President of the Republic:

(a) Specific study of one ministry and formulation of one reorganization project as a starting-point, with a view to applying the same principles, as far as possible, in all agencies of the executive branch;
(b) Analysis of the projects previously formulated by public administration experts, with a view to making use of their recommendations;
(c) Formulation of new organic laws for ministries and administrative departments;
(d) Over-all studies on systems and procedures for the management of government offices;
(e) Formulation of a basic plan for the gradual decentralization of certain services;
(f) Delegation of central government functions to departmental authorities;
(g) Research on certain public services pertaining to departmental and municipal agencies;
(h) Study of norms and control procedures applicable in the case of decentralized services.

When the foregoing programme had been approved, the Commission began its work, in accordance with certain priorities, but aiming at implementation of the whole of the proposed programme.
4. Central agencies of the reform

To carry out the reform, the Government established or reorganized special units. Some of them have already been mentioned in connexion with the 1958 Act (No. 19), but in order to give a logical account further reference to them (not in order of importance) must be made here:

- Economic and social planning agencies;
- Civil service personnel administration agencies;
- Commission for Administrative Reform (Department of Organization and Inspection of the Public Administration).

It is no exaggeration to state that if anything has been achieved during the last three years in the field of administrative reform, this is primarily due to the said agencies, with their respective councils and committees. It can also be safely asserted that the future of the reform depends upon the development and the efficiency of these same agencies.

Technical missions from ECLA or from United Nations Headquarters, or composed of Colombian experts directly engaged under contract, worked in each of the above-mentioned institutions.

(a) Planning agencies

The year 1958 witnessed the beginning of a more consistent and balanced phase of planning in Colombia as regards the structuration of the agencies concerned. The 1958 Act authorizing the administrative reform demarcated certain areas of work for these agencies. It established the National Council for Economic Policy and Planning, comprising the President of the Republic and four other members, two designated by the Chief of State, one by the Senate and the other by the Chamber of Deputies. This Council was empowered to study economic policy and make the relevant recommendations.

The 1958 Act also set up the Administrative Department of Planning and Technical Services, the Head of which was to be ex-officio Executive Secretary of the Council. The main function of the Department was to formulate development plans for submission to the Council and the Government for their consideration.

In addition, Act No. 19 provided for the establishment of planning offices in the ministries and administrative departments and in semi-public institutions and agencies, at the discretion of the Government, and on the basis of the specific requirements of each of these bodies. The primary functions of the offices in question were to prepare sectional plans, examine public investment projects and review and co-ordinate projects that would have to be executed by the agency concerned.

By virtue of the powers which the Act vested in the Executive for the purposes of administrative reform, legal decrees were issued to define the internal organization of the Department, and the respective terms of reference of

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1 See Aryeh Attir, La Reforma Administrativa en Colombia (TAO/COL/12/62), December 1962.
the National Council for Economic Policy and Planning and the Administrative Department of Planning and Technical Services were more precisely specified.

Given this structure, it was possible to formulate a first over-all economic and social development plan for Colombia (Plan general de desarrollo económico y social). This task was performed by the Administrative Department with advisory assistance from an ECLA mission.

At about the same time, under an agreement signed by the Government and the Banco de la República, a specific projects or special studies group was established, the main duties of which comprised clearance of projects, co-operation with agencies in the construction of their specific projects, and advisory assistance to the Government in the preparation of applications for external credit.

The function of this working group may be summed up as the promotion of specific projects designed to secure the expansion and more efficient utilization of external credit. In 1963, by means of special decrees, the planning agencies were substantially modified. The bases of these reforms are indicated in Part II of the present Study.

(b) Agencies for civil service personnel administration

The reformed Constitution of 1957 laid down the principle that admission to the civil service should be based on merit. Under Act No. 19 (1958), a Commission on Recruitment, Promotion and Disciplinary Action (afterwards called the Civil Service Commission) and the Administrative Department of the Civil Service were set up as agencies for personnel administration. Availing itself of its powers under the Act, the Government organized and regulated the functions of these agencies in line with the following principles:

The Commission was to serve as a legislative body and court of appeal in respect of all matters relating to personnel administration, and as an administrative organ responsible for ensuring compliance with regulations.

The primary functions assigned to the Administrative Department of the Civil Service were co-ordination with Colombian government agencies in respect of programmes relating to training, recruitment and personnel records and supervision; co-operation with official bodies in the organization of the civil service on the basis of the social system; and technical advisory assistance to the Commission.

The 1958 Act also established a School of Public Administration at the university level, to be responsible for the teaching and dissemination of the science and techniques of public administration, for research in that field, and for the training of the civil service personnel required by the State. It was to carry out these activities in co-operation with the Administrative Department of the Civil Service and the personnel offices of government agencies.

The most important of the tasks undertaken by the Colombian Civil Service Commission was the preparation of regulations for the civil service and careers in the public administration. These regulations were embodied in Decree No. 1732 (1960), which formulated bases and detailed procedures for post classification, remuneration, selection, appointments, probationary periods, promotions, transfers, qualifications, retirement, disciplinary measures and organization of personnel divisions and staff committees in the administrative agencies.
Later, when the regulations for its application were formulated, the Decree was supplemented by additional provisions governing nomenclature, wage and salary scales and certain work procedures.

Furthermore, the Commission laid down rules and regulations for selection and training, organization of competitive examinations, training programmes, and certain classification systems.

In February 1961, in-service training courses for civil personnel were started in the Higher School of Public Administration, with further training at university level leading up to the bachillerato in political science and administration.

In 1963, advanced courses in public administration, social administration and international studies were organized in the post-graduate institutes of the Higher School of Public Administration.

(c) Agencies for administrative reform

In February, under the terms of Act No. 19 of 1958, the Commission for Administrative Reform was established directly under the Office of the President, and was assigned the following general functions: to draw up regulations for the distribution of governmental business as appropriate among the various ministries, administrative departments, and decentralized agencies; to suggest systems of distributing functions among public administration posts, and methods of work which would guarantee the efficiency of government services; to simplify work procedures; and to prepare regulations for the geographical decentralization of the civil service without prejudice to unity of objectives and methods.

Similarly, the Bureau of Organization and Methods and Classification of Posts and Remunerations, which had been functioning since 1957 as an office of the Budget Department, was converted into an agency of the Commission for Administrative Reform, and the basic function assigned to it was that of giving the Commission advisory assistance in study and research and in the introduction of the systems of work adopted by the Government.

In this way, many of the sporadic and modest efforts that had been made in earlier years in the field of administrative organization were replaced by a dynamic and ambitious drive for total reform of the Government’s structure and methods of work.

In 1955-60, the Bureau of Organization and Methods played an effective part in the preparation of the analyses and studies required for the reorganization of government agencies, which subsequently became the basis of the legislation governing the administrative reform.

In March 1960, under the terms of Decree No. 0550, the Commission for Administrative Reform became the Department of Organization and Inspection of the Public Administration, attached to the Office of the President of the Republic.

The conversion of the Commission into a Department was accompanied by an expansion of its functions, which can be classified as relating to three major areas:

(a) To carry out studies designed to improve the organization and operational efficiency of the executive branch of government, and to see that the reform was duly implemented;
(b) To submit proposals as to the manning-tables of government offices;
(c) To undertake regular inspection of all official agencies, and to provide their Organization and Methods Sections with the guidelines and advisory assistance required to ensure their satisfactory operation.

The paragraph in article 2 which indicates the above-mentioned functions is of great importance.

It states that the over-all or sectional reorganization plans or projects of ministries, administrative departments or public institutions shall be submitted in their initial phase to the Department of Organization and Inspection of the Public Administration for examination and evaluation. Contracts which it is planned to sign for this purpose must first be approved by the Department of Organization and Inspection of the Public Administration.

The Bureau of Organization and Methods continued to operate as an agency of the Department of Organization and Inspection, its internal structure comprising an Administrative Organization Division and a Methods of Work Division, each of which consisted of two Sections or third-level units. The staff of the Bureau of Organization and Methods was increased to thirty experts and eighteen supporting staff; under the 1960 reform, Sections and Offices of Organization and Methods were set up in six ministries. These were functionally attached to the Department of Organization and Inspection of the Public Administration, and administratively to the ministry concerned. At first, the Department of Organization and Inspection of the Public Administration and the organization and methods offices co-operated closely in an intensive work programme, but this effort gradually slackened in subsequent years, because the staff of the ministry offices were ill-chosen, and little attention was paid to their recommendations by the senior staff of the ministries.

In practice, the application of the reform turned upon the Department of Organization and Inspection of the Public Administration, whose status was firmly established, and whose advisory activities have invariably obtained dynamic backing and efficient results.

(d) **Co-ordination among the central agencies of the reform**

The three most closely interrelated agencies are the Administrative Department of the Civil Service, the Department of Organization and Inspection of the Public Administration, and the Higher School of Public Administration. Obviously, the success of each was partly dependent upon the work of the rest; and similarly, as Mr. Attir put it, administrative organization without the appropriate staff was as ineffectual as personnel appointed in conditions of administrative chaos. Programmes for the selection and administration of personnel required as their basis a rational structure and clearly-defined functions. On the other hand, the organization of systems of work must be adapted to the calibre of the available personnel.

In 1961, as a means of strengthening co-ordination among the agencies of reform, a Committee on Organization of the Public Administration was set up, its four members being the Head of the Administrative Department of the Civil Service, the Chairman of the National Civil Service Commission, the Head of the
Department of Organization and Inspection of the Public Administration, and the Director of the Higher School of Public Administration.

The principal functions of this Committee included exchange of information, planning of joint projects, co-operation between programmes of common interest, publications, and co-ordination of technical assistance.

During the first few months after it was set up, this Committee did effective work, which, however, gradually lost impetus, and it finally became inoperative.

B. PROGRAMMING OF THE FIRST STAGE OF THE REFORM

1. Problems

As Mr. Attir rightly noted in his report, in all the studies that have been carried out with a view to improving the public administration the expert missions that have worked in Colombia since 1950 have started by defining the problems or the deficiencies of the existing administration. An exhaustive analysis of these reports leads to the conclusion that the diagnoses and suggestions formulated are the same or similar in all cases.

Some of the conclusions reached in the specific study of the 1950-60 reform and in earlier studies are presented below.

(a) Planning

Planning makes its appearance at every stage of the administrative process. In the case of a government organization, it is undertaken in the framework of a national development plan that can only be prepared by a central agency responsible for gathering the data and drawing up an outline for the final document, in the light of which each government agency will formulate the sectional plan it is to carry out on the basis of detailed programmes. Article 76 of the National Constitution of Colombia establishes the legal basis for all planning of government activities, referring to the determination of national economic development plans and programmes, and of plans and programmes for all the public works that are to be undertaken or constructed.

As from 1931, when a National Economic Council was established under Act No. 23, the first traces of something like planning at the national level began to emerge in Colombia, and thereafter, through changes of name or the assignment of new functions, the Council was gradually restructured until in 1958 the Administrative Department of Planning and Technical Services was set up.

The obstacles and deficiencies encountered during that period by this institution may be summed up as follows: absence of an explicit government policy in the fields of finance and the national economy; lack of an integrated long-term economic and social development programme; want of government backing; over-centralization; and internal administrative difficulties.

Between 1931 and 1958 many development plans were prepared at the ministerial, departmental and municipal levels, but they were not formulated systematically or co-ordinated with one another, and almost all the individual plans were deficient in respect of work programmes. Requirements were not estimated with precision, nor were resources analysed, and deadlines were not satisfactorily set.
Hence, planning was a matter of guesswork rather than a technical operation, changes and modifications were not dictated by the findings of preliminary research, and in many instances plan implementation was suspended in face of the first unforeseen difficulty and was never resumed.

(b) Personnel

The idea of the civil service, like that of planning, was not overlooked by the Government. In 1938, Act No. 135 was passed to ensure that the civil service should be non-political and creating a career service in the public administration; a National Administrative and Disciplinary Council was also established. But full compliance with the terms of the Act was impossible without government backing and in default of a detailed programme for its application, and shortly afterwards the Council became inoperative and the plan lapsed into oblivion. The only important activity was the admission of rather more than 1,500 employees to the civil service and the establishment of certain rules and regulations respecting functions and duties of civil servants.

The old system of personnel administration remained in force, the following deficiencies being observable: political favouritism in appointments and promotions; high percentage of staff turn-over; lack of instruction and training; lack of a post classification system, and low salaries and wages; lack of a statute establishing the rights and duties of employees.

As a result, all ranks of the civil service were in most cases inefficient and incompetent, and had very little security of tenure.

(c) Distribution of functions

In a modern system of government the rational distribution of functions is a highly complex matter. Intercommunication and interdependence make it virtually impossible to avoid some measure of duplication or overlapping of effort, and if in addition to these difficulties account is taken of the political factor which comes into play when distribution among the interested groups is in question, because power may mean profit, the task is complicated still further. But despite these reservations, even a superficial analysis of the organization of the ministries and administrative departments in Colombia clearly shows that the existing distribution pattern is open to question and modification.

Some points from the report on the administrative reform which was submitted by the expert, Aryeh Attir in December 1962, and in which the problems in this field are analysed, are noted below.

(i) Office of the President of the Republic. Under the presidential system of government, the Office of the President is marked by a definitive concentration of authority and by the need for efficient co-ordination machinery.

The Office of the President was perhaps the weakest link in the chain of government agencies in Colombia. Piles of documents were left awaiting signature; Colombian and foreign visitors sought personal interviews with the President to discuss trifling matters; the flow of information was unreliable and inadequate; and instruments for the planning, supervision and co-ordination of
government activities were almost non-existent. Two pressing problems clamoured for solution: it was essential to lighten the burden of routine work, and to provide information and advisory assistance as a basis for the adoption of important decisions.

(ii) Trade and industry. Traditionally an agricultural country, in the last few decades Colombia has developed its commerce and industry without introducing the corresponding changes in the orientation and distribution of government functions.

Prior to the 1960 reform, powers in this field were distributed as follows: the Ministry of Finance and the Ministry of Development were responsible for import and price controls, respectively, and the Ministry of Mining and Petroleum for the industries its name indicates. In addition, certain specialized fields were controlled by such autonomous or private agencies as, for instance, the Empresa Colombiana de Petróleo (ECOPETROL), the Industrial Development Institute, the National Institute of Supplies, and the National Coffee-Growers' Federation.

Hence it is clear that the Ministry of Development, in theory the one in which these activities might most appropriately be concentrated, was not empowered to undertake them, and, moreover, was the smallest and weakest of all.

(iii) Transport. In this field too, vital as is its importance for an economy, the distribution of functions was unsatisfactory. The control of air transport was in the hands of the Ministry of War; road transport was the concern of the Ministry of Development; rail transport was the responsibility of an autonomous agency; and transport by inland waterways was under the control of the Ministry of Public Works, which was also responsible for road-building. Co-ordination among these institutions, a unified policy and a specific development programme were all lacking.

From time to time the idea of establishing a Ministry or Department of Transport was mooted, but it never materialized.

(iv) Housing. Population growth and in-migration from the countryside to the towns has confronted Colombia with one of its biggest problems: the provision of housing for the middle and lower income groups.

Three large financing institutions were concerned with housing requirements, namely, the Caja de Crédito Agrario (Agricultural Credit Bank), the Instituto de Crédito Territorial (Land Credit Institute), and the Banco Central Hipotecario (Central Mortgage Bank). No attempt was made, however, to plan in common or to establish co-ordination between these agencies and the national Government, nor were there any means of doing so, since housing was not included among the functions of any of the ministries.

(v) Social welfare services. The duty of providing social welfare services is established in article 19 of the Constitution.

In the distribution of functions, this obligation was assigned to the Ministry of Public Health, but in practice it was chiefly discharged by the departmental welfare institutions, the Catholic Church, and semi-public and private organizations.

The combined resources of all these institutions, however, are far from satisfying the needs of a country in which a high percentage of the population
lives in the grip of poverty. Government guidance and co-ordination is called for at every turn.

(vi) Internal distribution of functions. Apart from the distribution of functions among the various government agencies, there was the problem of a rational division of labour within each of the institutions concerned.

The structure of the ministries commonly took the following form: at the head, a minister and a secretary-general; then a long chain of technical units in which the various ranks were not clearly differentiated and the nomenclature used was inconsistent (not standardized); and a few administrative offices which carried out such routine tasks as the handling of payments, elementary accounting, filing, typing, maintenance and so forth. No special units for planning and other advisory functions existed; the technical units were engaged in a number of administrative activities, such as staff management and purchases; and for field operations the responsibility was assumed by the staff of the central office, who were supposed to formulate principles, procedures and programmes. As a result of this system of division of labour, matters of urgency and day-to-day operations were given priority, while normative technical functions were neglected. Furthermore, field work could not be carried out systematically, for want of authorized technical guidance from the central offices. Likewise, administrative activities, doomed to be conducted on makeshift and dilatory lines, were in the hands of all and sundry, with no competent decision-maker to give instructions or advice.

The lack of a rational and clearly-defined distribution of functions within the ministries naturally gave rise to a great deal of duplication and overlapping of effort. Unfortunately, there were no instruments of co-ordination with which to set matters right, and the result was a perpetual jostling for authority, with the attendant muddle, prejudicial alike to the general public and to the Government itself.

(d) Centralization and concentration of authority

Centralization (in the field of public administration) may be viewed as a system in which all control is in the hands of the central or national government, with little or no delegation of responsibilities to the local authorities. Concentration of authority implies a similar state of affairs to the one just described, but within one and the same organization; in this case, the senior executives do not delegate their powers to lower-ranking officials or to the sectional offices. Since the legal and historical backgrounds of the two systems differ, they will be discussed separately in the present report.

(i) Centralization. According to the Constitution, Colombia is a unitary republic, and its territory is divided into departments and municipalities (in addition to which there are the intendencias and comisarias — relatively less developed areas — and the Special District of Bogotá). Despite the text of the Constitution, vestiges of the earlier federal system still subsist, and the departments jealously preserve any lingering trace of their independence. The Constitution allows them autonomy in the administration of their "sectional affairs" (article 182). Furthermore, it authorizes (in article 7) the decentralization of certain types of business, such as fiscal or military administration, education, and economic development, irrespective of the jurisdiction of the
departments. The governor of each department is, at the same time, the agent of the Central Government and the head of the regional administration. The position is similar in the municipalities, where the mayor is the agent of the governor and the head of the municipal administration.

In practice, the autonomy of the departments and municipalities is much more limited than would appear from the legal provisions.

(ii) Concentration of authority. The centralization prevailing in relations between the Central Government and the local authorities was paralleled by minimal delegation of responsibility within each ministry, authority being almost entirely concentrated in the hands of the minister or of a few of his closest collaborators. Such little authority as was delegated to the second and third grades of the hierarchy was in its turn jealously guarded by the officials concerned, who allowed no further delegation. Once again the main argument adduced was the incompetence of their subordinates. In other words, the minister, the secretary-general or the chief of section had not enough confidence in those immediately beneath them to delegate broad powers; the secretary-general mistrusted the ability of the chiefs of division; and in the opinion of the divisional chiefs, the chiefs of section were not sufficiently capable and responsible to be given any authority.

Without realizing the absurdity of his attitude, once an assistant had been promoted to the rank of chief, he behaved to his subordinates in exactly the same way as his superiors had treated him, losing confidence in those who up to a few days before had been his colleagues, and anxiously clinging to the authority just conferred upon him.

This concentration of authority, like centralization, was bound to result in heavy time-consuming red tape, an increasing backlog of work, bottlenecks, irresponsibility on the part of subordinates, and consequently, an immense loss for the whole of the national economy.

(e) Co-ordination

If the principles of administration had been classified on the basis of the difficulty of applying them, the first requirement would have been co-ordination, which was conspicuous by its absence in almost all administrative activities, with the consequent aggravation of the problems deriving from duplication and overlapping of some functions, and neglect of others.

The following were among the specific reasons why co-ordination was difficult to effect before the reforms: complicated systems of division of labour between ministries and administrative departments; the fact that autonomous or semi-public institutions to which the responsibility for essential public services had been transferred from the ministries or administrative departments were controlled by boards of directors which in some cases disregarded the necessity of co-ordination and fulfilled parallel functions; lack of instruments of co-ordination. No attempt was made to develop such tools and instruments as channels of communication, committees, seminars, etc.; a spirit of individualism which was diametrically opposed to co-ordination, since many employees preferred to adhere strictly to the duties formally assigned to them, and to have nothing to do with the rest of the organization.
Controls

Controls in the Government of Colombia may be said to have been at one and the same time both excessive and insufficient, and in some cases ineffective. A high degree of development had been achieved in some traditional respects, while in others only rudimentary operations were undertaken; but modern methods and procedures were totally unknown.

(i) Fiscal controls. Under article 59 of the Constitution, the Office of the Comptroller-General was responsible for supervising fiscal action, but despite double and triple controls — prior authorization or pre-auditing, on-the-spot (or "surprise") auditing, and post-auditing — it had proved impossible to prevent mismanagement of public funds, while on the other hand government operations had been increasingly slowed up, and in some cases there was far too much duplication of effort.

(ii) Budget control. Here the problem arose because the legislative (fiscal) control was too strong and the administrative control too weak. The difficulty of administrative control was due to over-centralization in the budget and accounting offices of the ministries and administrative departments.

(iii) Efficiency and economy controls. Neither in the Office of the Comptroller-General nor in the ministries or administrative departments did means exist for the control of efficiency and economy in government operations.

(iv) Reports. No effective use was made of reports as instruments of control, owing to the total lack of clearly-defined systems and rules for their preparation and analysis. In most cases they were simply put away unused.

(v) Other controls. Production control was unheard of in public activities, and supervision of personnel was neglected in most instances.

(g) Systems and procedures

Perhaps because of the weaknesses noted above, the lack of periodic overhauling and simplification, and the tendency to get into a rut, systems and procedures were defective in most cases, with the result that the administrative agencies were characterized by dilatoriness and negligence, and were the target of constant complaints from the general public.

In such circumstances it is not surprising to find that the systems were outdated and the procedures complicated.

2. The evolution of the administrative reform, 1958-60

The present brief account of administrative reform from 1958 onwards will start with Act No. 19 (passed in that year), because this law, besides giving certain administrative measures the requisite backing of authority, represented a government programme under which a reform movement was launched that is still under way. This can be seen from the objectives listed in article 1 of the said Act: "... To safeguard the co-ordination and continuity of official action in accordance with progressive development plans that have been legally established or may be so established in the future; to ensure security of tenure and provide
technical training for officials and employees; to streamline the civil service, and to decentralize those departments which can operate more efficiently under the direction of local authorities; to simplify formalities and procedures, with the consequent saving of time and money; to prevent duplication or parallelism of tasks or functions; and to promote proper administrative control.”

In pursuit of these objectives, the Act itself established the central agencies for planning, personnel administration and training of personnel, to which reference was made in the introduction to the present study. In addition to the foregoing agencies, the Executive set up the Commission for Administrative Reform as an operational unit which would also be responsible for co-ordinating the work ahead.

Given the problems indicated above, and in the light of direct research conducted in government agencies, the Commission saw that it was necessary to lay down general principles for the restructurization of the public administration. The basic lines to be followed were legally established by virtue of Decree No. 0550 (1960). One of the articles of this Decree expressly states that it should be taken as a general guide and not as a set of hard-and-fast rules, since the administration must be regulated by changing conditions and different factors.

The Decree preserved the traditional distribution of the administrative agencies as follows: (a) at the national level: Office of the President of the Republic, ministries, administrative departments, public enterprises; (b) at the local level: departments, municipalities. It also defined some of the powers of each as indicated below (see the above-mentioned report by Mr. Attir).

At the national level, problems arose in connexion with the relations between the ministries and administrative departments on the one hand, and the public enterprises on the other.

The difficulty consisted in the public enterprises’ increasing tendency to shake off the authority of the ministries and administrative departments altogether, with the result that there was practically no co-ordination whatever among the agencies concerned, not merely in respect of over-all policy but also with regard to the implementation of programmes, and regrettable duplications and anomalies occurred. In this connexion, Decree No. 0550 (article 6) clearly stated that Ministers and Heads of Administrative Departments were the chief administrative officers, and were to discharge on their own responsibility the functions delegated to them by the President of the Republic under article 135 of the Constitution. Consequently, it was incumbent upon them to decide, in agreement with the President of the Republic, on the policy or plans of action to be adopted in the departments under their direction.

The only power assigned to public enterprises and other institutions with administrative autonomy was to carry out the plans adopted by the Government to the best of their technical or fiscal capacity.

In relationships between the ministries and administrative departments on the one hand and the local authorities (departments and municipalities) on the other, the opposite problem arose. Here it was the agencies at the national level that in practice held the reins of power, leaving very little to the initiative of the departments and municipalities. To promote a more appropriate distribution of functions, and with the aim of administrative decentralization in view, Decree No. 0550 established the following regulations:

(a) Ministries and administrative departments were to be responsible for planning in their several branches, for standard-setting, for payments on
account of public expenditure and for technical and administrative supervision;

(b) Departmental authorities were to exercise the administrative function, i.e., to undertake the general business of all services within their respective territorial jurisdictions, and the direct management of agencies whose size required;

(c) Municipalities or municipal district authorities were to discharge the executive function, i.e., to undertake the day-to-day implementation of programmes within their respective territorial jurisdictions, and the direct management of those agencies whose activities were of a local character;

(d) The relatively more developed municipal districts might also assume the administrative function, as determined by the minister of the head of the administrative department concerned.

Once the general regulations had been laid down, the Commission for Administrative Reform set out to study the existing situation in respect of division of labour among the ministries and administrative departments, with the primary object of recommending a rational reorganization. The time was opportune (early 1961), inasmuch as the President of the Republic wished to reorganize his Cabinet and the findings of the study might be of use to him in that connexion.

The legal basis was provided by Act No. 19, to which allusion has so often been made, and by the special powers which Congress had conferred on the President for the reorganization of government agencies. Developing and amplifying the norms established in Decree No. 0550, the Commission for Administrative Reform defined certain guiding principles to ensure that government agencies would be appropriate instruments for the implementation of the national development plan. It then applied those principles to the study in hand, and suggested that one or more of the following measures should be adopted:

1. Establishment of new agencies to put the legislation into effect;

2. Adaptation of the existing agencies to the intention of the legislators;

3. Revision of legal provisions and of the instruments for implementing them so as to bring them into line with the demands of the existing situation in Colombia;

4. Promotion of new legislation to establish the agencies required for the provision of services not previously envisaged;

5. Assignment of services, business and functions to each agency in homogeneous or allied groups;

6. Elimination of needless duplication;

7. Establishment of central agencies for advisory assistance and coordination;

8. Application of administrative decentralization;

9. Centralization of certain general services;

10. Establishment of closer links between the public enterprises and the ministries and administrative departments.

On the basis of the guiding principles referred to, a project for the redistribution of business among the ministries and administrative departments was drafted. Its main features are outlined below.
Office of the President of the Republic. The idea of the Commission for Administrative Reform was that the Office of the President, as the top-ranking central agency in the executive branch of the Government, should undertake the planning, co-ordination and control of government business and should have an état major responsible for economic planning, budget programming and administrative planning. For the time being, however, practical considerations determined that only the last of these three functions should be assigned to the Office of the President.

Ministry of the Interior. The name Ministry of Government was changed to Ministry of the Interior (Home Office), and it was proposed that the National Police Force and the Colombian Intelligence Service (the latter as an integral part of the former) should be attached to this Department, together with the Record Office, and that it should also be responsible for organization in the electoral field (in respect of preparing and taking electoral censuses and supervising elections).

Ministry of Foreign Affairs. No major changes were suggested.

Ministry of Finance and Public Credit. The Commission for Administrative Reform felt that budget programming ought to be the responsibility of an agency of the Office of the President of the Republic. If that was the case, the Ministry of Finance could still undertake the accounting and auditing entailed in the execution of the budget. For the moment, on practical grounds, the Commission’s draft left the National Budget Department as an integral part of the Ministry of Finance.

Ministry of Defence. The most important modifications suggested apart from the change of name (Defence instead of War) were those relating to the police force and to civil aviation. As pointed out above, it was suggested that the responsibility for the National Police Force should be transferred to the Ministry of the Interior, while civil aviation was to be assigned to a new Ministry of Roads and Transport.

Ministry of Social Protection. The Commission considered that the existing Ministry of Justice ought to be called the Ministry of Social Protection, and that it should concern itself with the prison system, rehabilitation of delinquents, measures for the reform of juvenile delinquents, prevention of crime, administrative assistance to the jurisdictional branch and to the Office of the Public Prosecutor, notarial services and the keeping of public records, and the supervision of institutions providing public services.

Ministry of Health and Social Welfare. The Commission made a special study of what business should be handled by a pilot Ministry of Health and Social Welfare, and its recommendations were approved by the Cabinet.

Ministry of Education and Culture. The words “and Culture” were added to the name of this Ministry in order to emphasize the relevant aspect of its activities. It was recommended that community action should be transferred to the Office of the President and that the role played by the Ministry in the fields of higher education and scientific research should be strengthened.

Ministry of Labour. In the opinion of the Commission, this Ministry should be responsible not only for the traditional tasks of occupational planning (on the basis of studies on Colombia’s manpower requirements), but also for the
improvement of productivity and for closer supervision of the social security services.

Ministry of Agriculture and Livestock Production. Apart from the addition of the words "and Livestock Production" to the name of the Ministry, the most important change was the redistribution of functions between the Ministry and the Caja de Crédito Agrario. The Commission suggested that the Caja should strengthen its original mode of action as a credit institution, forgoing such functions as the purchase or construction of rural dwellings, agricultural research and pest and disease control. The Ministry, for its part, would have to concentrate mainly on agricultural research and development of agricultural production, distribution of land, land settlement and conservation of natural resources.

Ministry of Industry and Commerce. Little was done for industry and commerce (as was pointed out in section II of Mr. Attir's report) because the attributions concerned were split up among a number of government agencies. The Commission suggested that the existing Ministry of Development and Ministry of Mines and Petroleum should be replaced by a new Ministry of Industry and Commerce, whose principal functions would be to encourage, promote and develop the extractive and transforming industries, internal commerce, foreign trade and tourism.

Ministry of Municipal Development and Housing. Some of the municipal services - mainly water supply and sewerage systems, power stations and housing - were in the hands of several decentralized institutions, without sufficient government supervision. It was proposed that a Ministry of Municipal Development and Housing should be established to deal with the over-all planning of such services and to co-ordinate and supervise the work of the specialized bodies responsible for detailed programming and project execution.

Ministry of Communications. With regard to this ministry, two problems were observable: duplication with the National Telecommunications Enterprise, and lack of effective control of air mail services, which are at present provided under contracts with the Colombian airline (Avianca). The Commission suggested that the National Telecommunications Enterprise should come under the Ministry as far as planning and general direction were concerned, and that steps should be taken to eliminate the existing duplication. The Commission refrained from proposing any changes with respect to air mail services for want of background data, and merely suggested that a thorough study of the problem should be made before a final decision was adopted.

Ministry of Roads and Transport. Roads and transport are closely allied services, control of which should be concentrated in the hands of a central agency rather than spread out as at present. The Commission's proposal was that a Ministry of Roads and Transport should be established to take over the functions of the existing Ministry of Public Works (except for the construction and administration of public buildings), together with the planning, regulation and control of the various transport media (motor vehicles, railways, airlines, shipping, inland waterways and oil-pipelines).

Administrative departments. There are no legal provisions which clearly define the nature of the administrative departments and demarcate their fields of activity as distinct from those of the ministries. Broadly speaking, however,
accordance with Colombian tradition, it might perhaps be said that the ministries deal with political matters (for example, defence, law and order, and foreign affairs) or with socio-economic questions which are of such vital importance to the country as to deserve the fullest possible attention on the part of the Government (for example, those relating to education, health and agriculture); while the work of the administrative departments consists in specialized technical services which do not require the constant attention of the Executive or direct representation in Congress (statistics, for instance).

With respect to the administrative departments, the Commission suggested two significant changes: the incorporation of the Colombian Intelligence Service in the Ministry of the Interior, and the establishment of an Administrative Department of General Services. The functions assigned to the latter were the following: administration of public buildings, and of government publications, supplies, garages and workshops.

Public institutions. The Commission had not enough background data at its disposal to redistribute business among the public enterprises and the ministries and administrative departments and to eliminate all duplication. It therefore confined itself to assigning the most important public enterprises to the appropriate ministries, without defining the exact way in which they were to be linked up. For example, the Caja de Crédito Agrario, Industrial y Minero was attached to the Ministry of Agriculture, the Instituto de Crédito Territorial to the Ministry of Development, etc.

Article 6 of Decree No. 0550 provided that the only responsibility assigned to public enterprises and other institutions with administrative autonomy was that of carrying out the plans adopted by the Government to the best of their technical and fiscal capacity; and the same article, referring to the integration of the executive branch of government, classifies such enterprises and institutions among its agencies.

During the reporting stage prior to 1960, the Commission for Administrative Reform prepared a few studies on the organization and operation of seven public enterprises, and established certain organizational principles, relating, inter alia, to the following points: gradual development, administrative decentralization, planning and programming, distribution of work, and relations with ministries, administrative departments and other public enterprises.

Orderly distribution of functions. The above-mentioned study was submitted to the President of the Republic. For a variety of reasons, the Government did not approve it en bloc, but it recommended some of the principles enunciated for inclusion in the draft text of each agency’s reorganizational decree.

A detailed account of each of these principles is given in Mr. Attir’s report.

Systems and procedures. The Commission for Administrative Reform did not make a thorough study of systems and procedures, because, in the first place, two years would have been too short a time in which to complete it, and, secondly, it could not be attempted until the redistribution of functions had been worked out. The Commission did, however, undertake some analyses in the field of supplies and storage facilities, contracts, tax administration, filing and control systems, and so forth, leaving the Department of Organization and
inspection of the Public Administration to pursue this research systematically and on the basis of priorities.

3. Conclusions

The full implementation of the administrative organization programme covered by the 1960 Decrees was enthusiastically embarked upon by those responsible for the execution of the project, but, perhaps because total application of the Decrees was attempted in too great a hurry, the evaluation made a year later by the Department of Organization and Inspection of the Public Administration pinpointed the following delays and deficiencies: “Some planning units are inoperative, long-term programmes are lacking, no rules and regulations for each area of work have been established, co-ordinating committees have tended to become decision-making boards, administrative and executive matters outweigh the proper concerns of technical units, and there is little delegation of authority. The defects have not always been imputable to the staff of the administrative agencies. They have been partly due to such factors as ignorance of the ideas underlying the reform on the part of some Ministers, lack of precision in the wording of certain legal provisions, want of training and assistance in the use of administrative techniques, little inspection by central agencies, etc.”

Decentralization, the need for which was recognized by the Government and the legal bases for it established, met with two fundamental obstacles. In the first place, the central agencies were reluctant to divest themselves of their powers, and the sectional agencies were ill-prepared to carry the responsibilities they were required to assume. Secondly, no exhaustive analysis was made of the political, economic, financial and administrative factors at the sectional level which prevented the strengthening of the sectional administrations at the requisite pace in respect of provision of services, so that the central agencies could be released from executive functions and have more time to spare for standard-setting and supervisory activities.

Some of the foregoing difficulties reflected the need for revision of the distribution of business not only among agencies, but also within each institution; the Legislature, therefore, once again authorized the President to adopt measures for the solution of the most pressing problems.

C. MAJOR DEVELOPMENTS IN 1962-67

The administrative reform analysed in the preceding section covered the major structures of the public administration at the national level, in particular the organization of the Office of the President, the ministries, the administrative departments, and — above all — the new agencies established as a function of the reform itself, such as the Administrative Department of Planning, the Civil Service, the Department of Organization and Inspection of the Public Administration, and the Higher School of Public Administration. Very little headway was made as regards the reform of the public enterprises — although they represent an important sector of the administrative organization in Colombia by
virtue of the services they render and the funds they handle — since each one called for a special analysis of its work. And almost nothing was done at that time to improve the sectional administration in the departments and municipalities, except for a few over-all studies directed towards the reform of three departmental and two municipal administrations, and designed to lay down some general lines of action whereby services could be effectively decentralized.

In a recent study\(^2\) a list is given of areas that should be studied in the field of the administration of public enterprises and regional administration, as follows: administrative structures; legislative and governmental control; simplification of fiscal controls and modernization of auditing systems; co-ordination of activities with the Government’s over-all plans; personnel administration in conformity with Civil Service standards; adoption of methods and systems to guarantee operational economy and efficiency.

With respect to the implementation of the 1960 reform, the Department of Organization and Inspection of the Public Administration prepared an evaluation of results at the end of 1961, reaching the conclusion that the following deficiencies were observable: little improvement in the central machinery; shortage of human and material resources; lack of specific and co-ordinated plans of action; low degree of efficiency in the interpretation and implementation of the reforms introduced in the various agencies; exodus of technical staff to private enterprise for financial reasons; lack of technical expertise and interest at the level of the Directors’ Offices; total absence of co-ordination, etc.

Despite these negative features, however, a number of positive factors held out encouraging prospects for the introduction of improved administrative techniques, and enabled progress to be achieved in the following fields in particular:

(a) *Economic and social development*. The over-all development plan was revised in some respects and headway was made in its application. The four-year investment plan was drawn up, the plan for the industrial sector was revised, and a four-year education plan was put into operation.

(b) *Development of human resources*. The Higher School of Public Administration, in co-ordination with the Civil Service agencies, arranged in-service training programmes for public sector personnel. In the private sector, the Administrative Department of Planning carried out a study of vocational training requirements in 1962, and the National Apprenticeship Service launched a large-scale programme of manpower training and training for leadership.

(c) *Revision of systems and procedures*. The Department of Organization and Inspection of the Public Administration, in co-ordination with the organization and methods offices of the ministries, began studies aiming at the simplification of systems and procedures — specific in the case of certain activities and of a more general nature in that of administration. The latter report was entitled “Estudio de oficinas administrativas”, and dealt with handling of documents, information services, correspondence, supplies, and machinery and equipment. United Nations experts co-operated in this work in an advisory capacity.

\(^2\) Carlos Ramírez, *Administración Pública como Instrumento del Desarrollo* (Pan-American Union, 1967), chapter V.
1. Reform of the public administration and structural changes as from 1963

The difficulties attendant upon the economic crisis of 1963 and the devaluation of the currency induced Congress to pass Act No. 1, establishing wage legislation and conferring other powers on the Government. The fields in which action was to be taken were defined in article 15 of the said Act.

A Co-ordinating Commission for the Public Administration, Decentralized Institutions and Regional Corporations was to be set up, and, with the advisory assistance of the Government's technical agencies, was to present recommendations in the course of 1963 which the Government would be empowered to put into practice up to 31 December 1963, on the following points:

(a) The possible duplication of functions in the various branches of the public administration, at the national, departmental and municipal levels;

(b) The possible duplication of posts, and the merging of those that were redundant, on the basis of a revision of the manning-table to rectify disequilibria;

(c) Establishment of a salary scale for the whole of the public administration and the decentralized agencies;

(d) Regulation of the remunerations and conditions applicable for the staff of decentralized enterprises, and determination of requisites for the authorization of travel abroad on the part of the staff of such agencies.

The Commission was to be composed of two Senators, two Congressmen and two delegates nominated by the President.

The activities of this Commission were very limited in scope, and can be summed up under the following heads: revision of the salary scale, without technical studies, since the increase was a fixed amount for all levels, and therefore failed to solve the problem created by devaluation; establishment of the regulations referred to under point (d) above, with respect to the determination and authorization of funds for travel abroad; and revision of some posts in government agencies.

This Commission's ill-success was largely due to the legislators' inadequate knowledge of the machinery used in the 1960 reform and the vague wording of the Act which established it. Much the same thing had happened in connexion with Act No. 33 in 1962, under the terms of which a Commission for the Reorganization of the Public Administration had been established and had prepared a few studies, in co-ordination with the Department of Organization and Inspection of the Public Administration, on simplification of certain procedures and redistribution of functions in the various agencies. Its recommendations, however, were not applied; only a few of them became law, and even these, in some instances, were never put into effect.

Hence it is clear that while the legislators genuinely wished to bring about a progressive improvement in the public administration, an essential prerequisite was the strengthening of information media and means of communication with regard to the relevant activities of the Executive and of the agencies set up under the 1958 reform.
(a) *The administrative reform of 1963*

In the same year (1963) Congress passed Act No. 21 conferring on the Executive new powers to introduce substantial reforms in some fields of administration, with a view to securing fiscal, economic and social stability; providing the resources needed for the implementation of the over-all development plan; reducing the operational expenditure of government units and offices; and adapting the organization and operation of these agencies to the real requirements of the service. The time for which these powers were granted was very short in relation to the task of overhauling the executive machinery: from 20 August to 31 December 1963.

The first step taken was to set up a committee which was to become the agency mainly responsible for guiding and co-ordinating the work required under the Act. It was composed of four leading figures in the administrative field: two representatives of the Office of the Comptroller-General, one representative of the Administrative Department of Planning and one from the Department of Organization and Inspection of the Public Administration, in its capacity as a department of the Executive. The experts from international agencies who were in the service of the Colombian Government at the time acted as advisers to the Committee. Although the brief space of four months was too short a time for a study of such importance, the committee did its utmost, and managed to propose a number of desirable and necessary reforms whereby the administration could be improved in some general respects, and to prepare draft legislation for the administrative reorganization of certain units in which the need for it was urgent, such as the Ministries of Finance, Communications, Agriculture, Public Health, Defence, Labour, Development, and Public Works, and the Administrative Departments of Planning and the Civil Service.

*Ministry of Finance and Public Credit.* Under the terms of Act No. 21 of 1963, the internal organization of the Ministry of Finance and Public Credit as established in 1960 was modified in some respects:

(a) By virtue of Decree No. 3270, a new administrative unit called the Automatic Data-Processing Division was set up as an agency of the technical branch of the administration to discharge the following functions: programming and carrying out automatic data processing; making productivity studies and analysing the administrative activities of the subordinate offices of the Ministry; simplification of procedures; design and checking of forms; and drafting of manuals.

It is clear from this list that the Division was required to combine specific automation activities with functions corresponding to the Bureau of Organization and Methods. At first this duplication resulted in conflict between the two administrative units, a problem which was temporarily solved by placing both units' technical specialists in analysis of organization and methods under the direction of the Automatic Data-Processing Division, with the consequent weakening of the Bureau of Organization and Methods.

(b) Decree No. 3297 raised the Customs Division to the level of Customs Department, with a more complex internal organization than had been envisaged at the time of the 1960 reform, and with first- and second-level units called, respectively, Divisions and Sections.
The functions indicated for each of these units were expanded in accordance with the requirements of the service and the exhaustive evaluation of its previous operation that had been made with a view to achieving higher levels of productivity. The Decree also laid down some of the procedures to be followed in connexion with specific customs formalities.

(c) Under the terms of Decree No. 3272 of 1963, there was an internal reorganization of the administrative branch of the Ministry of Finance and Public Credit. The concentration of functions at the regional and central levels was reduced in respect of personnel administration, supplies and auxiliary services in the Customs Department and the Budget Department.

(d) Changes were introduced in the internal organization of the Inland Revenue Division through Decree No. 3273. They related to certain subdivisions, including the Tax Collection Division, and to the expansion and merging of some executive co-ordination units concerned with tax analysis and with information services to promote payment of taxes.

(e) Decree No. 582 (1965) established the regulations for Decree No. 1675, which had been passed in 1964 by virtue of the powers conferred under Act No. 21 (1963). The National Budget Division was restructured and raised to the level of Department, with first- and second-level units called, respectively, Divisions and Sections, as in the case of the Customs Department.

A radical change introduced by this Decree was the centralization of budget administration, which had been attached to all thirteen Ministries and seven Administrative Departments constituting the administrative branch of government. Budget administration now became the direct responsibility of the National Budget Department.

As from the date of entry into force of this Decree, the budget execution, costs and payments units ceased to be responsible to the administrative branches and came directly under the Ministry of Finance and Public Credit. This change did not create administrative distortions in respect of the execution of the work, but it did involve somewhat more time-consuming procedures.

(f) On the basis of the Executive's regulatory powers, Decree No. 1726 was promulgated in 1966 to establish a Tax Training and Information Office in the Inland Revenue Division, with a view to improving the technical qualifications of the staff. This Office has achieved excellent results to date in both basic and advanced training, not only at the central but also at the regional level.

Thus, during the period 1962-67 the Ministry of Finance and Public Credit underwent a large number of piecemeal structural changes, most of which were necessary, but which in some cases gave rise to duplications and to difficulties with regard to inter-departmental relations and spheres of authority.

Ministry of Communications. Under the 1960 reform, it was recommended that some of the services for which the Ministry of Communications was directly responsible should be decentralized. Decree No. 3267 of 1960 restructured this Ministry, completely decentralizing the telecommunications services by transferring them to a National Telecommunications Enterprise, to which the whole telegraph service was handed over. Postal services were placed in charge of the National Postal Administration, a public enterprise which was to assume responsibility for the decentralized postal-order and parcel-post services and for the Post Office Department attached to the Ministry. The official broadcasting
and television services were taken over by the National Radio and Television Institute, a decentralized enterprise which took the place of the Ministry's National Radio and Television Division; and social welfare and security services for communications personnel became the responsibility of the Caja de Previsión Social de Comunicaciones, which was strengthened by the incorporation of all employees of the units and agencies listed above.

The aim of this decentralization process was to improve the efficiency of the services and reduce costs, and to reserve for the Ministry only the standard-setting and supervisory part of the work, with a view to preventing duplication of functions and achieving closer co-ordination among the various fields of activity. So far, the decentralization seems to have had very satisfactory results.

Ministry of Agriculture. The studies on the agricultural sector of the administration prepared by the Department of Organization and Inspection of the Public Administration in 1962-63 led to the conclusion that co-ordination and supervision needed strengthening in this field, that certain procedures ought to be simplified and that some of the specialized bodies that had proliferated in related areas should be abolished.

The restructuration of the Ministry resulted in the elimination of the administrative and technical branches and of the Agricultural Research Division, while the sector's decentralized agencies were linked to the Ministry, in conformity with Decree No. 0550, and the research, development and extension programmes of the Colombian Agricultural Institute were strengthened.

In 1967 a further study was undertaken in this sector with a view to securing the more effective integration of the decentralized services and closer co-ordination between the central agricultural service and the sectional services of the departmental authorities. As a result, a bill has been submitted to Congress.

Ministry of Public Health. The Ministry of Public Health, which had been the pilot Ministry under the 1960 reform, continued to carry out studies and analyses throughout the period of implementation of the reform with a view to improving health services. The conclusion was reached that the need in this Ministry was for a distribution of functions at three levels — national, regional and local — covering the whole territory.

At the national level, the Ministry itself was to undertake planning, programming, standard-setting, supervisory and advisory functions.

At the regional level there were to be one or more politico-administrative divisions for the zoning and regionalization of the service in areas naturally defined by their common social, anthropological and ecological features. These divisions were to discharge administrative functions at the regional level, and to be responsible for regional and local programming and for the direction, supervision and co-ordination of programmes in the region concerned.

At the local level, public health agencies, such as hospitals, health centres and stations, first-aid posts, homes for the indigent, the handicapped and the aged, and other institutions, were to implement programmes falling within the jurisdiction of the local service.

Relations between the various levels were formalized by means of administrative agreements concluded between the Ministry and the departmental administration.
By virtue of the internal reorganization of the Ministry, the administrative and technical branches were eliminated and their functions were distributed among new groupings called Divisions. These were to establish legal measures for the protection, maintenance and recovery of health, with due regard to the influence of environmental conditions, and to supervise their implementation by the public and private agencies responsible for putting them into effect.

In Act No. 19 (1963), article 2, it is specified that the preparation, implementation and modification of the hospital-centred national health plan shall be the responsibility of the national Government, in order to ensure proper organization and unity of approach in respect of public health and social welfare services. In 1966, in compliance with this provision, the Ministry promulgated Decree No. 1499, which was known as the National Hospital Plan, and was designed to guarantee the proper organization and the unity of approach required under the Act. By its means the structure and operation of the integrated sectional health services were organized and regulated.

This decentralization of the service and concentration of available resources has been highly successful to date, since the programmes are in line with regional needs and are carried out with due regard to the needs in question and on the basis of more efficient utilization of resources.

Ministry of National Defence. In the final report on the restructuration of the executive branch of government prepared in 1960 as the original basis for the reform, it was recommended that the name of the Ministry of War should be changed to Ministry of Defence and that the services and the agencies responsible for providing those services should be more effectively integrated.

In 1965, Decree No. 3398 made these recommendations law, combining the armed forces and the police under a single authority in respect of their technical, military and administrative functions, establishing a Higher Council for National Defence, setting up a civil defence corps, and giving the Ministry a new administrative structure.

Ministry of Labour. The year 1963 witnessed increased decentralization at the regional level in the Ministry of Labour, the Regional Departments being made directly responsible for the discharge of functions which had been concentrated in the Ministry itself, in order to impart greater flexibility to the services and simplify administrative formalities.

In 1966, by virtue of Decree No. 1666, a Department of Employment and Human Resources was set up in the Ministry of Labour; this unit was to be responsible for the study, programming and development of the Ministry’s political and administrative action in relation to employment and human resources, while second-level units were to undertake studies and reports on the labour market, employment activities and the provision of information in each field.

The above-mentioned decentralization of services worked well. The Department of Employment and Human Resources, on the other hand, is still in the preliminary research stage; broadly speaking, the Decree has not been put into effect.

Ministry of Development. The general recommendations of the 1960 reform included a proposal that the direction, regulation and supervision of air,
maritime, rail, river and road transport should be centralized in a single agency, instead of being split up among several ministries and administrative departments. In 1963 the Administrative Department of Transport was established in compliance with this recommendation, but up to the time of writing (1968), for political and financial reasons, it has not entered into operation.

**Ministry of Public Works.** As from 1 February 1967, changes were introduced in the internal structure of this Ministry, the following being the most outstanding:

(a) Abolition of the Office of the Director-General and establishment of a Group of Advisers to the Minister;
(b) Establishment of three branches: maintenance, administration and labour relations;
(c) Delegation of powers to the Minister to enter into contracts up to the amount of 50,000 dollars, subject neither to prior ratification by the Office of the President of the Republic nor to the requirement that purchases of material should be made through the Administrative Department of General Services.

The National Highway Fund, a financing body which obtains its funds from the tax on gasoline in order to cover the implementation of national road-building and road maintenance programmes, was attached to this Ministry.

**Administrative Department of Planning.** In the planning agencies which had been set up under Act No. 19 of 1958, and whose structure had been established in 1960, the following changes were introduced in 1963:

(a) The Administrative Department of Planning and Technical Services changed its name to the Administrative Department of Planning;
(b) The National Council for Economic Policy and Planning was restructured under the name of the National Council for Economic Policy, and its membership was radically altered to comprise the President of the Republic, the Ministers of Finance, Development, Agriculture, and Public Works, the Chief of the Administrative Department of Planning and the General Managers of the Central Bank (Banco de la República) and the National Coffee-Growers’ Federation.

Its new functions are as follows:

(1) To study and approve economic development plans submitted by the Administrative Department of Planning;
(2) To make recommendations to the National Government and to Congress for the adaptation of economic policy for the purpose of implementing over-all development plans, especially in the fields of taxation, the budget, public investment, monetary measures, internal and external credit, foreign trade, exchange rates, foreign investment and technical assistance;
(3) To study the periodic progress reports submitted by the Chief of the Administrative Department of Planning on over-all, sectoral or regional plans, and to recommend the measures that should be adopted to put these plans into effect;
(4) To study and approve sectoral and regional development plans for agriculture, foreign trade, industry, employment, etc., co-ordinating them so as
to ensure their compatibility with Colombia’s over-all development plan and formulating the corresponding recommendations;

(5) To study and approve plans and projects submitted by the Administrative Department of Planning in connexion with the national budget, public investment programmes and the financing of these programmes at the various levels of government;

(6) To advise on the guaranteeing of foreign loans in conformity with articles 4 and 5 of Act No. 123 of 1959 and Act No. 9 of 1962.

Of the functions assigned to the National Council for Economic Policy and Planning under Act No. 19 of 1958, those not appearing on the foregoing list were transferred to the Head of the Administrative Department of Planning. The internal organization of the Department was also brought into line with the new legislation.

*Administrative Department of the Civil Service.* In 1963 the internal organization of this Department underwent certain changes in the shape of the abolition of several of the first-level units, i.e., the Office of Inspection, the Administrative Section and the Regional Affairs section. The activities concerned were placed under the direction of the Deputy Head of the Department.

(b) *Administrative reforms at the regional level*

During the period 1963-67, the Department of Organization and Inspection of the Public Administration acted as permanent adviser to the administration at the regional level, in connexion with the reorganization of its administrative structures to fit them for the more efficient provision of services. For the purposes of putting these reforms into effect, the Departmental Assemblies issued ordinances authorizing the Governor to proceed with the work involved, and making provision for advisory assistance from the Bureau of Organization and Methods attached to the Office of the President of the Republic. In this field, exhaustive studies were prepared on the current operation of the regional units in question, the provision of the services for which they were responsible and the needs of the community at this same level.

Restructurations were projected for the departments of Boyacá (a revision of the recommendations made in 1962), Valle del Cauca, Santander, Nariño, Bolívar, Cundinamarca, Caldas, etc.

The Department of Organization and Inspection of the Public Administration was responsible, under the relevant legislation, for the preparation of the administrative structure of the five new departments established. Since these were new units, it was possible to introduce scientific administration techniques throughout and to carry out the basic recommendations made by the central agencies, and also to propose more technical administrative structures, better adapted to the requirements of the departments in providing the services concerned.

The following were among the most important recommendations:

(a) Establishment of technical agencies directly under the Office of the Governor: a Planning Office; a Finance Office (to take the place of the usual Secretariats of Finance); an Office of Administrative Services;
(b) Establishment of a minimum number of Secretariats, generally two: a Secretariat Local Government and a Secretariat Economic and Social Development. Their main functions would be to direct development plans, to deal with some of the services delegated to the regional authorities, and to co-ordinate all the activities which were carried out independently at the national level, without reference to sectoral development plans;

(c) Transfer of government accounting – which in the case of other departments was undertaken by the Office of the Comptroller-General – to the departmental administration, and strengthening of the Office of the Comptroller-General’s control and evaluation functions.

According to the evaluations made, the results of two years’ application of this system in a few departments have been very satisfactory, and have shown how administrative formalities can be made much more flexible if the administration is better organized and the work is under the direction of technical personnel.

2. Analysis of the foregoing changes

The structural changes in the public administration effected during the period 1962-67 and broadly outlined in the preceding chapter served to intensify the concern already felt by senior administrative personnel with respect to the need for adapting administrative machinery to the requirements of modern techniques and scientific principles of administration.

This concern related mainly to the necessity of revising some measures, especially in the field of redistribution of business and functions, and, in a steadily increasing degree, to the need to train more technical personnel, the lack of whom is one of the great stumbling-blocks to the introduction of reforms. In the past five or six years, the training programmes of the Higher School of Public Administration established under Act No. 19 of 1958 have begun to bear fruit, although on a small scale as yet.

Personnel administration techniques have not been applied everywhere, and innumerable deficiencies are still to be found, but in those areas where the services of efficient personnel have been available extremely satisfactory results have been obtained.

One of the concerns of the present Government has been the progressive modernization of administrative structures. Hence its interest in requesting Congress to authorize further changes, in conformity with government programmes, and on the basis of an evaluation of the results of the 1960-67 reforms and of the steadily increasing demands upon the public service. On 28 December 1967, the requisite powers were conferred on the Executive by virtue of Act No. 65, and by the date of preparation of the present report, studies had been carried out to pave the way for the 1968 reform. They are discussed below.
D. THE 1968 ADMINISTRATIVE REFORM

With a view to improving upon the attempts already made to rationalize the public administration in Colombia, in 1967 the Legislature passed Act No. 65 investing the President of the Republic, for a period of one year, with special powers to make a number of structural changes in the administration. In the executive branch of government – ministries, administrative departments, public institutions and autonomous government institutions and corporations – units and posts were to be abolished, merged or established, or administrative offices were to be decentralized if it was essential for their more efficient operation. Changes were to be introduced in the remuneration and conditions of service of the armed forces. Provision was to be made for the strengthening of the fiscal administration. The regulations governing post classification, the qualifications required for each type of post, training courses, and the appointments and promotions system were to be modified, salary scales were to be fixed for the various categories of government employees, and the social security system was to be overhauled. On the basis of these objectives the following programme of work was drawn up, and was approved by the President of the Republic:

I. Determination of problem areas or fields in which action was required;
II. Preparation of an inventory of resources available and required;
III. Formulation of action programme.

1. Problem areas or fields of action

A. The following were the areas indicated:
1. Distribution of powers or functions among the various government agencies;
2. Internal structure of each administrative agency;
3. Administration of public finance planning;
4. Personnel administration;
5. Administration of general services;
6. Work systems and procedures.

B. In each area it was considered necessary:
(a) To define its content;
(b) To determine which agency was to undertake the relevant studies.

Area one: Distribution of powers or functions among government agencies

(a) Content of area
1. Classification of State services:
   (a) Analysis of government activities and of their organic and functional modus operandi, not only from the strict standpoint of provision of services but also from that of private and State participation;
   (b) Grouping of services by sectors.
2. General regulations for the structure of the central administration.

(a) Definition of administrative agencies: (i) Office of the President of the Republic; (ii) Ministries; (iii) Administrative departments; (iv) Public institutes and enterprises; (v) Regional autonomous corporations; (vi) Advisory agencies; (vii) Supervisory offices; (viii) Unclassified (for example, Monetary Council, Exchange Control Office, Transport Financing Corporation, etc.); and (ix) Private agencies to which provision of services has been delegated by the administration.

(b) Determination of the following points in relation to the agencies listed above: (i) Conditions for their establishment and operation; (ii) Legal status; (iii) Government, technical and administrative controls to which they are subject; and (iv) The functions they should fulfil (for example, definition, co-ordination or implementation of policies).

3. Indication of the appropriate administrative structure for each of the services analysed:

(a) On the basis of the foregoing data – organizational patterns, functions, findings of a study on consistent and effective administration – it would be possible to determine the type and number of agencies required for the services in question;

(b) Special care was to be taken to show how the above decision would affect regional and local administration, and possible formulas for the provision of State services in the provinces were also to be presented.

(b) Executing agencies

1. The organization of the national civil service by sectors was to be in the hands of a working group whose members would be drawn from the Administrative Department of Planning and the Department of Organization and Inspection of the Public Administration, and for the analysis of each State service the principal agency concerned – the corresponding ministry – for example, was to set up a team to act under the direction and guidance of the Department of Organization and Inspection of the Public Administration.

2. The structure of the central administration was to be determined by the Department of Organization and Inspection of the Public Administration, with advisory assistance from the national and foreign experts assigned to it by the Government.

3. The same Department was to decide upon the appropriate structure for each individual service, in co-operation with representatives of the particular service to be reorganized.

Area two: Internal organization of administrative agencies

(a) Content of area

1. Internal organization of the Office of the President of the Republic, the ministries and the administrative departments: (i) Reorganization of the internal structure of each agency; (ii) Distribution of business and functions within each agency; (iii) Organization and operation of internal administrative services, and co-ordination of these with similar central agencies.
2. Internal organization of public institutes and enterprises: (i) Reorganization of internal structure; (ii) Study of some standard structures with a view to establishing models.

3. Organization and operation of the other agencies of the central administration.

(b) Executing agencies

The Department of Organization and Inspection of the Public Administration, in collaboration with the agency concerned.

Area three: Administration of public finance planning

(a) Content of area

Restructuration of agencies and offices concerned with the administration of public finance planning in the following fields: (i) Public revenue; (ii) Budget programming; (iii) Credit, currency and banking; (iv) Accounting and auditing.

(b) Executing agencies

(i) Department of Organization and Inspection of the Public Administration; (ii) Administrative Department of Planning; (iii) National Budget Department; (iv) Inland Revenue Department; (v) Customs Department; (vi) Office of the Comptroller-General of the Republic; (vii) Higher School of Public Administration; (viii) Agencies concerned with finance regulations and advisory assistance in the financial field.

Area four: Personnel administration

(a) Content of area

1. Restructuration of agencies and offices concerned with personnel services (Administrative Department of the Civil Service, National Civil Service Commission, Higher School of Public Administration, Offices of Personnel).

2. Requisite reforms of the regulations and procedures governing post classification, recruitment, selection, remuneration, social services, training, briefing, inculcation of attitudes, career systems and disciplinary measures applicable to civil service personnel.

(b) Executing agencies

The Department of Organization and Inspection of the Public Administration, in collaboration with the following: (i) Administrative Department of the Civil Service; (ii) National Civil Service Commission; (iii) Higher School of Public Administration.

Area five: Administration of general services

(a) Content of area

1. Restructuration of agencies and offices concerned with the administration of services in the following fields: (i) Advisory assistance (legal,
economic, organization and methods); (ii) Real estate and movable property; (iii) Statistics and reports; (iv) Documents and publications; and (v) Communications.

(b) Executing agencies

Department of Organization and Inspection of the Public Administration; (i) Administrative Department of General Services; (ii) Ministry of Public Works; (iii) National Budget Department; (iv) Office of the Comptroller-General of the Republic.

Area six: Work systems and procedures

(a) Content of area

Revision of the work systems and procedures analysed in each of the foregoing areas with a view to simplification, standardization, mechanization and automation.

(b) Executing agencies

(i) Department of Organization and Inspection of the Public Administration; (ii) The various State agencies in each service.

II. Inventory of resources available and required

This second part of the study consists in the preparation of a balance-sheet showing the resources in hand and those required.

(a) Content of research

(i) Human resources

Inventory of foreign and national personnel in the service of the public administration in fields connected with the reform programme (organization and methods, personnel, etc.).

(ii) Studies carried out and under way

(a) Assembly of all relevant studies carried out by the various State agencies, universities, specialized centres, professional associations, etc.;

(b) Establishment of the over-all or sectional reform programmes which the various government agencies are implementing through their own specialized offices, by means of international technical missions, or under agreements entered into at an earlier date.

(iii) Other resources

Determination of material resources in hand (equipment, instruments, tools, etc.).
(iv) Requirements

Evaluation of financial requirements for the preparation and implementation of the reform (recruitment of new personnel, purchase of material, contracts, salary and wage increases, transport expenditure, subsistence allowances, etc.).

(b) Executing agencies

(i) Department of Organization and Inspection of the Public Administration; (ii) Administrative Department of the Civil Service; (iii) National Budget Department; (iv) Higher School of Public Administration; (v) Administrative Department of General Services.

III. Action programme

(a) Executing agencies for the reform

A. Commission for administrative reform

(i) Membership

As determined by the national Government.

Ministers, heads of administrative departments and general managers or directors of public institutes and enterprises not serving on the Commission will participate in its discussions when decisions on their respective agencies are to be adopted.

(ii) Functions

To demarcate fields of research (study projects), establish priorities and designate the offices to be responsible for carrying out the research;
To guide and co-ordinate the work on the studies;
To submit final reports to the consideration of the President of the Republic.

(iii) Executive secretariat

Department of Organization and Inspection of the Public Administration.

B. Technical Advisory Committee

(i) Membership

National and foreign experts appointed or engaged under contract by the national Government or by the Commission for Administrative Reform.

(ii) Functions

To assist the Commission and the executing agencies in an advisory capacity in the exercise of all their functions;
To provide guidance for the teams carrying out the various study projects.
C. Executing agencies

These are the State, technical or administrative agencies responsible for the execution of each of the projects defined by the Commission for Administrative Reform.

The following will be the most important bodies concerned: (i) Department of Organization and Inspection of the Public Administration; (ii) Administrative Department of the Civil Service; (iii) National Civil Service Commission; (iv) Higher School of Public Administration.

(b) Implementation

For the execution of each project, the agency responsible will set up a team or working group, with whatever membership it deems necessary, which, with the guidance of the Technical Advisory Committee and the collaboration of the executive secretariat, will undertake the formulation of detailed work programmes, the conduct of the scheduled research and the drafting of reports for submission to the secretariat of the Commission.

The foregoing programme has served as a frame of reference for the preparation of the detailed programmes to be carried out in each of the problem areas defined.

In January 1968, a start was made on the preparatory work in area one (distribution of powers or functions among government agencies) and area four (personnel administration). Activities in area two (internal organization of administrative agencies) began with an evaluation of the present modus operandi of the 113 agencies covered by the reform.
ADMINISTRATIVE ASPECTS OF PLANNING IN JAMAICA

By F. A. R. Mullings*

Beginning in the early nineteen-forties Jamaica progressed through various stages of political development from a strictly colonial regime to full political independence in 1962. As this process developed, more and more responsibility devolved upon the locally elected political representatives who had evolved a two-party system primarily out of an organized labour movement of the late nineteen-thirties. The first step in this constitutional evolution was the setting up of a system of "ministers in embryo" with primary responsibility to the electorate for matters affecting the internal affairs of the country. Ultimate authority, however, remained with the metropolitan colonial Power, which was represented, with the "ministers", on an Executive Council (a kind of Cabinet) by top-level colonial officers, as members ex officio, and by Members nominated by the Colonial Governor; but a significant step forward had been taken in having the "people's elect", through a majority party, coherently involved in decisions affecting the economic and social welfare of the people. Formerly, they had been non-partisan, individualistic and somewhat unorganized, and had not been represented in the inner councils of the decision-making machinery.

National consciousness of the need for economic and social development grew as political authority was gradually transferred, and this in turn created the need for a coherent policy to allocate priorities and match items with the resources available in order to provide guidelines for action to bring about the goals sought.

Planning was also encouraged by the fact that the United Kingdom Government had set out, in its Colonial Development and Welfare Acts of 1940 and 1945, to provide its colonies with external aid. The Colonial Administration and the "people's elect" were thereby encouraged to set up a Development Committee which included colonial administrators and nominated and elected nationals ("ministers").

The terms of reference of the Development Committee were to draw up a draft development plan to form the framework of the whole development policy of Jamaica during the period 1 April 1946 to 31 March 1956. The Committee reviewed previous schemes in agriculture, communications and public works, education, health, social welfare and miscellaneous fields including tourism, triangulation surveys and statistics.

Four priority ratings were established (A, B, C, D). Agriculture, social welfare and the miscellaneous fields received a full A rating, where the remainder were given a combination of B or C ratings. Only some minor aspects of

* Document ST/ECLA/Conf.30/L.19.

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education received a D rating and this amounted to only £0.3 million out of a
total plan (government sector programme with subsidies and other incentives to
the private sector) costing £19.6 million, of which £12.9 million covered capital
expenditure and £6.7 million recurrent expenditure. It is interesting to note that
the planners made allowances for the feed-back effect to recurrent expenditures
after the tenth year of the plan to an amount of £0.8 million a year.

This plan was presented to the Legislature by the Colonial Governor in 1945,
but the technical formulation was primarily undertaken by the colonial
equivalent of a finance ministry. A revision of the 1945 plan was carried out in
1947, and a new ten-year plan for 1946/47 to 1956/57 was produced. Further
major reviews were published in 1951 in a report on the revision of the plan,
which assessed performance over the first five years and set flexible targets for
the plan over the remaining five years. This revision was carried out jointly at the
civil service level by senior colonial administrators and a growing and competent
group of local civil service officials. It was done in the finance branch of the
Colonial Secretariat which was the nucleus of what was later to become the
Ministry of Finance. Thus, Jamaica’s central planning can be regarded as having
started under the portfolio of finance.

The Colonial Administration was fairly well departmentalized and the
“ministers” had portfolios with a civil service structure of local officers and
colonial officers who, at the very senior levels were ex officio members of the
Executive Council. This led to an increasingly co-ordinated approach to the
wishes and needs of the people, and to plan implementation, since both the
politicians and the civil servants who had to implement programmes through the
departments were working closely together at the formulation stage and on
reviews of progress.

The 1951 version of the revised plan further elaborated the dual budget
system approach in practice by setting up a separate development budget — a
somewhat imperfect capital budget in terms of national accounting practice. The
planned expenditure, as in the previous plans, was classified on a “functional”
basis that broadly matched the portfolios of operational “ministries” and
departments or their related agencies.

During this period, a growing share of responsibility for plan formulation
and execution was given to local civil servants. A local officer, who was given
great credit for his work of analysis, drafting and supervision in the foreword to
the 1951 revised plan, is now Jamaica’s Financial Secretary, administrative head
of the present Ministry of Finance and Planning, and also administrative head of
the civil service. The transitional arrangements would therefore seem to have set
the stage for an efficient future administration capable of performing the
necessary planning functions.

Gradually more internal political autonomy was attained, which meant more
responsibility for the “ministers”. In the 1955 elections, there was a transfer of
political majority and power from the former majority party to a different
party. This party, which had long been fully committed to planning, moved the
concept of planning a step further in a desire for a more comprehensive
approach. A Central Planning Unit was set up in 1955 within the Chief Minister’s
Office, and subsequently attached to the new Ministry of Development, which
also came under the Chief Minister. Work was soon started on the formulation of
a new ten-year plan – The National Plan for Jamaica 1957-1967 – which was published in 1957. Responsibility for planning co-ordination was thus shifted from the Finance Ministry to the Ministry headed by the chief political executive.

Soon, complete responsibility for domestic affairs (except for a few reserve powers retained by the Colonial authorities) passed to the Cabinet (without ex officio members) under a Prime Minister who also held the portfolio of the Ministry of Development, to which the Central Planning Unit was attached. The Ministry had an Administrative Director at the same level as the Permanent Secretary to the Minister.

Later, an Economic and Finance Committee was formed, comprising ministers primarily involved with the major impact areas of the Plan and with finance. The Committee was under the chairmanship of the Prime Minister and Minister of Development, and had as its secretary a senior member of the staff of the Central Planning Unit. The decisions of this Cabinet Committee were transmitted to the full Cabinet for ratification, which was automatic. This helped to expedite action on matters of vital interest, and operational ministries and departments were thereby able to reduce delays.

The Central Planning Unit was staffed by a relatively small group of economists, sociologists, statisticians and political scientists with a fair degree of experience at both the technical and the administrative levels. A special foreign economic advisor was appointed on contract, with the local Director-designate operating initially as his deputy.

The Central Planning Unit operated as a co-ordinating organ, maintaining liaison with operational ministries and departments through a system of formal and informal personal contacts. Plan formulation was the responsibility of the operational ministries and departments, which would outline their proposed programmes in each portfolio allocation, and indicate the measures or other action to be taken to implement them. During this process, the members of the Central Planning Unit’s staff would consult regularly with the ministries, and special problems would be brought up in staff memoranda and at meetings to keep all the Central Planning Unit’s staff up to date and to identify areas where individual ministry programmes and projects overlapped or were interdependent, thus improving co-ordination and providing better advice to the other agencies.

Throughout the plan formulation process, the ministries and operational departments, as well as the Central Planning Unit, maintained certain contacts with the private sector with a view to obtaining information and evaluating prospects, and to discussing projects affecting the country’s development. In some cases, this was done as a direct government responsibility, while in others it was mainly an exchange of ideas on an informal basis. The formulation, introduction and operation of some incentives and other indicative, permissive, or prohibitive action taken by the Government were also discussed during such consultations, and the Central Planning Unit normally participated in the interchange, either through inter-departmental committees or in some other way, usually at the instigation of the operational ministry or department.

An interesting point regarding information – which is a vital aspect of all phases of planning for both public and private sectors – is the fact that, except for a short period immediately following its establishment in 1946, the
Government's Central Statistics Department has come under the same portfolio as the Central Planning Unit. This has led to a cordial relationship between the two staffs, and thereby facilitated the compilation and flow of information needed for planning.

Another important feature relating to plan administration was the setting up of a Town Planning Department to deal with matters of physical planning, and also a Beach Control Authority, primarily to deal with beach regulations for tourists and nationals. These two agencies were also under the same portfolio as the Central Planning Unit for most of their history, thereby ensuring close co-ordination, both formal and informal.

When ministry programmes were at the final draft stage, the ministers responsible, and their senior administrative and technical or professional staff, met with the Prime Minister and Minister of Development and the Central Planning Unit staff involved to agree on a final co-ordinated programme for inclusion in the plan, which was then to be put before the Cabinet for final decision.

The plan thus formulated was then presented to the House of Representatives, where it was adopted, not as a legal document binding anyone to specific action, but rather as a course of co-ordinated action to bring about the goals of the majority party as it viewed the needs of the country.

The implementation of programmes remained the responsibility of the operational ministries and their related agencies, whose staff were always conscious that it was their own plan which it was their job to implement. A regular reporting system was set up to try to show how much of the plan had been implemented and what problems had been faced. This was done mainly on a financial basis, but physical factors were borne in mind as far as possible.

Each year, the ministries would approach the Finance Ministry for a budgetary allocation in keeping with their long-term plan programme. The Central Planning Unit would participate when the ministries were discussing their budget proposals with the Finance Ministry, and would be free to express views on each capital programme as it affected the over-all plan and its possible feedback effects on recurrent costs. Through these discussions and through consultation with individual ministries regarding the measures to be taken to achieve their goals, the Central Planning Unit was always able to influence the course of action, especially since it had the psychological advantage of directly reporting to the Prime Minister.

In the period immediately preceding full political independence, which was attained in 1962, the administration set about preparing a new ten-year plan, taking into consideration the performance achieved under the 1957 ten-year plan, which was approaching its half-way point. In April 1962, however, when this new draft plan (1962-71) was at an advanced stage of formulation, a pre-independence election was held before the expiration of the electoral mandate of the existing administration. The party in power lost the elections and the new political administration decided to review the situation before releasing the plan. On-going programmes were maintained and adjustments continued to be made in the annual budget until a new Five-Year Independence Plan (1963-1968) was formulated and published in mid-1963.
This Five-Year Plan was conceived as the first of a series in a long-term development (perspective) plan. There was however, no clear indication of what form this perspective plan was expected to take, and this is only now being looked into.

An important fact which would seem to emerge from this brief history of centralized planning in Jamaica, is that plans have been prepared and revised, or been replaced by others, both as a result of changing circumstances as viewed by the existing political administration, and as a result of transfers of political power from one main political party to the other. Although one particular plan was not replaced by one political administration (the unpublished 1962-71 plan), that administration was actively producing a revised ten-year plan half-way through the previous plan. It may be that these changes by the same political and civil service administrations were largely due to the fact that the plans were all originally for ten years and it is worth considering whether ten years is not too long for a definitive plan in view of the fact that medium-term planning includes the complete elaboration of programmes, projects, targets, goals, tasks and measures. In retrospect, however, the rapidly changing economic circumstances of Jamaica may have been largely responsible for the desire to change the original plans.

Faults in plan formulation, whereby vague goals were set and projects were not properly defined or were completely out of line with the administrative, technical and physical and financial resources available, could also account for the need to revise the original plans. Changes of government did not involve marked changes in political, economic and social outlook, because both parties were guided by the necessity to appeal to the majority of the electorate in a society which has had a basically conservative tradition, and both parties had a well-established and trusted leadership. Moreover, the broad problems of the country were all recognized by both sides, and continuity of policies was facilitated by a career civil service.

Perhaps the most important factor affecting plan administration in the early years after political independence was the new location of the planning portfolio itself. Both political parties had already expressed some measure of acceptance of the planning function either by placing it or by permitting it to be placed under the two portfolios that normally carry the greatest influence in any country — i.e., the office of the chief political executive and the Ministry of Finance.

The period leading up to and including the ultimate achievement of political independence ushered in a period of caution in the business community, despite the ever-increasing measure of independence that had been attained over the period 1944-62, without excessive governmental direction of economic activity and with both parties remaining in power for relatively long periods with relatively large majorities. This attitude was quick to disappear, however, and some national plan targets were soon exceeded, particularly in the private sector.

The location of what had previously been the planning portfolio together with numerous other items, to an expanded Ministry of Development and Welfare under a single Minister, without independent financial authority or the authority of the chief political executive, meant that the Central Planning Unit lost much of the influence it had enjoyed, especially with the Prime Minister in
the period preceding independence. The early promotion of the chief civil service administrator from the Central Planning Unit to the post of Financial Secretary may also have helped to remove some of its long-standing influence, since the person concerned had become a symbol of central planning. The Central Planning Unit was now no longer close to the ultimate centre of government decision-making and did not enjoy the status that comes from being in the Ministry that wields the powerful psychological and coercive weapon of financial authority, i.e., the Finance Ministry.

Because of the many changes and revisions or replacements of plans throughout this period, and the differing durations of the plans, it would be very difficult to make a direct comparison of the implementation of all the plans and their success in eliminating problems or attaining goals. Moreover, the periods covered are not homogeneous in political terms, as shown earlier. A comparison of this kind would be useful since it would show what effect the location of the planning portfolio had on the results of planning; however, neither the time nor a ready-made approach is available, and therefore, it will be passed by the stock reminder that it may prove a rewarding field for research.

One thing may, however, be said without fear of contradiction: namely that although the Five-Year Independence Plan (1963-68) was an imposing document in terms of stating the situation and the problems to be faced, it did not outline the specific measures and tasks that would be required to combat these problems sufficiently clearly. For example, unemployment was stated to be the most serious problem, but the ways of dealing with it were at best fragmentary. Projects were listed in great detail, but many were not adequately evaluated or prepared in a way which would show how they would lead to the goals sought or how they would be implemented. The breakdown of the financial estimates was also very different from the breakdown of actual expenditure.

While it is true that it would have been impossible to undertake a complete feasibility study for every project — for if that had been done no plan would ever have been prepared — the fact that so many projects in the Plan were unrealistic leads to the conclusion that it was in fact better not to implement them in accordance with the plan scheduled. This could well be the Achilles Heel of previous plans — hence the frequent revisions and complete replacements of plans.

Another outstanding change in the administration of the planning system relates to the consultations at the time of the preparation of the annual capital budget, to which the Central Planning Unit had previously been a party. During this period when the planning portfolio came under both the Finance Ministry and the Prime Minister, the Central Planning Unit was not brought in as a party to the budget discussions. This denoted a distinct change in the status of the Central Planning Unit. Budget officers who assumed that in assessing the capital budget requests of operational ministries, the best way to seek guidance as to the policy being followed was to search for correspondences between the Plan's allocations and the budget requests very often found that there were large discrepancies between the plan programmes and the budget proposals.

The planning arrangements have now come almost a full circle back to the Finance Ministry, although the detailed relationships have not yet been finally worked out. Early in 1967, the Ministry of Finance was enlarged to include the
Central Planning Unit within a single Ministry of Finance and Planning. There is already a dramatic change in the situation and many of the capital budget aspects of operational ministries are being referred to the Central Planning Unit, which is also being consulted on ministerial programmes. This may be due in part to the fact that a new five-year plan is being prepared by the Government with the usual inter-agency discussion and interchange of views, although it does seem that the Central Planning Unit is now recapturing its former position.

In recent months, the new Prime Minister (who became the third Prime Minister of Jamaica within the space of a few months owing to the retirement of an ailing Prime Minister in January 1967, and the death of his successor in April of the same year) has created within his Office a Project Implementation Co-ordination Unit, composed of a few high-level officials, with a view to keeping the implementation of very important projects or projects which have implications for more than one Ministry under constant review, from their initial conception through to final implementation.

The Prime Minister has also set up, under his chairmanship, an Economic Council – comprising some Cabinet Ministers (including the Minister of Finance and Planning) and the Governor of the Central Bank (the former Director of Planning and Financial Secretary) – to consider important issues affecting economic policy (both domestic and external). The Council takes final decisions, which would be circulated to the full Cabinet for its information, or it may refer its recommendations to the full Cabinet for ratification.

Priority matters to be discussed by the Council have already been selected, and discussions have started on the basis of papers prepared by the members' staffs. Persons from outside the Cabinet, both in the Government and in the private sector, may be invited by the Council for consultation on matters within their competence. Private sector organizations may approach the Council by requesting hearings on very important issues affecting the economy. The Council has already agreed to receive a joint delegation from the Jamaica Chamber of Commerce and the Jamaica Manufacturers' Association to discuss the effects of Jamaica's recent currency devaluation as a result of the devaluation of the pound sterling.

These new moves (and others to be discussed later) give some idea of the extent of the Government's commitment to a more effective planning administration.

The Central Planning Unit itself has recently been allocated more staff for work on the new five-year plan (1968-73) and on a perspective plan of which the five-year plan is to be a part. The agency now comprises a Director and six small sections, as follows: (a) macro-economic projections and policies; (b) ministerial programme co-ordination; (c) general economic and social research; (d) human resources planning; (e) technical assistance co-ordination; and (f) plan progress reporting.

These sections maintain close liaison with each other and with the efforts of other government agencies, and to a lesser extent with the private sector, in their particular spheres of activity. Most of the planning liaison work with the private sector is carried out by operational ministries and departments, which in turn are
in contact with the Central Planning Unit. Officers serve on various inter-departmental or ministerial committees, and give advice on planning problems. Very close links are being forged with the Economics Division of the former Ministry of Finance, from which certain staff were shifted to the Central Planning Unit when the Ministry of Finance and Planning was set up. Closer links are also being established with the Budget Division of the Ministry, where a United Nations expert is now working on the introduction of a programme and performance budgeting system to bring out the underlying functional and economic aspects of the budget. This system is being introduced into the forthcoming budgets of a few large ministries and will be extended later to the whole government.

The Ministry of Finance and Planning, which is also responsible for the Department of Statistics, has recently established a Central Data Processing Centre, which, together with the enlarged Organization and Methods Division, and the Staff Inspection Unit, has already started to make a systematic analysis of ministries and departments to evaluate their needs for data processing and modernization.

An examination of the adequacy and requirements of the civil service of the country for meeting the challenge of political independence and economic and social development was recently carried out by a United Nations team at the request of the Government. The report of this team is now being studied and any deficiencies it reveals will gradually be corrected. Ministerial planning and programme management units have already been set up in the major spending ministries, and they maintain close links with the Central Planning Unit. Where no such units exist, the Central Planning Unit still has liaison personnel in the operational ministries for planning purposes.

As was mentioned earlier, unemployment is regarded as Jamaica’s most serious problem. In its forthcoming budgets, the Government proposes to emphasize the implementation of labour-intensive government projects where these prove feasible. The Central Planning Unit has been given the major responsibility for examining the ministerial and departmental proposals for this scheme and will recommend lines of action to the Budget Division and the other departments concerned. An informal inter-ministerial committee has already been formed to examine proposals. The membership includes those agencies most likely to provide potential schemes which will fit the policy. The bulk of the Government’s policy to stimulate employment (apart from its own direct employment) was previously based on the Industrial Incentives Laws, but fairly little employment has been created and it is usually in industries with a high import content. These are undesirable factors, in the current circumstances.

A very significant and completely new approach to planning administration in Jamaica was adopted in 1966-67 with the establishment of a National Commission on Unemployment. This Commission comprises:

(a) Senior civil servants from ministries (including the Director of the Central Planning Unit), mainly concerned with the problems of economic policy and with major government programmes;

(b) Members of private sector organizations representing employers and the Press;

(c) Some statutory board members;
(d) The supervisors of both major trade unions which are linked with both major political parties, and
(e) Members of the University staff.

The bulk of the work of the Commission is being done in its nine working groups. Its scope is very broad as can be judged from the topics covered by the working groups:

1. Short-term and stand-by projects;
2. Employment targets;
3. Industrialization (including revision of incentives legislation);
4. Land use (agriculture);\(^1\)
5. Development of the tourist industry;
6. Incomes policy;
7. Area development (i.e., regional development);
8. Vocational training;
9. Family planning as related to unemployment.

One of the latest actions of the Government in the field of plan administration relates to the recently completed report of a four-man United Nations technical assistance team on the implementation of the Five-Year Independence Plan of Jamaica. The team spent three months in Jamaica at the request of the Government, and was composed of an economic planner, an agricultural planner, an industrial planner and a manpower and social planner. Its report is not yet final, but the ideas contained in it and the frank discussions held between the members of the team and Jamaica's planners, are already permeating the formulation process of the next Five-Year Plan as part of the framework of a perspective plan which has yet to be drafted.

At the time of writing, a United Nations physical planning team is working with Jamaica's physical planners to rationalize the use of the country's physical resources and to indicate development loci on which specific attention should be focused.

From the foregoing discussion of the administrative aspects of planning in Jamaica — which maintained a very high economic growth rate during the period reviewed and achieved some measure of social and cultural development — it may be concluded that the administration was fairly successful, although some may argue that this was the result of purely fortuitous circumstances, such as the growth of the bauxite/alumina industry and tourism, which became major industries during the period.

Indeed, the bauxite industry grew from zero in the early years of planning to the world's largest bauxite producer within a few years. It should be stressed, however, that bauxite is the world's most common mineral ore and that Jamaica's deposits are no better than those of many other countries. The development of the industry through negotiated and re-negotiated arrangements

\(^1\) A Land Utilization Commission has recently been set up by the Government to investigate idle or under-utilized land. The Commission serves notice on the owners requiring them to indicate plans for early development on their land or for making it available under mutually agreed arrangements to others who will utilize it properly.
between the Jamaica Government and the world’s largest international aluminium firms which spurred this spectacular growth is itself a credit to the planning administration of a small country which has few natural resources but the will to exploit what it has as well as it can and to change the conditions of exploitation as knowledge increases so that more and more of the benefits accrue to the country itself.

The same is generally true for tourism, although its resources will become a permanent feature only if they are adequately protected and developed. The administration has sought and continues to seek this end through regulatory and incentive measures. The capacity of the industry, however, has failed to keep pace with recent demand because not enough private capital has been forthcoming. The Government has taken the step of acquiring and extending some hotels itself, in an effort to raise the industry’s capacity. The recent decision to devalue the Jamaican currency, as a result of the devaluation of the pound sterling, which had significant effects on Jamaica, was viewed in part, as an attempt to further the expansion of tourism.

Jamaica’s administration is, however, not too proud to seek further improvement despite the success that has been achieved. This is clearly demonstrated by the fact that, as indicated above, there is a continuing search for improvement, even to the extent of exposing the whole civil service to a United Nations team of public administrators which will report on how the civil service may be adjusted to meet its new and growing demands. On the planning front itself, another United Nations team has also been given free rein to examine and report on our planning system. This willingness to subject itself to the searching scrutiny of objective outsiders should prove of lasting benefit to the planning administration.
ADMINISTRATIVE ASPECTS OF PLANNING IN MEXICO

By Ignacio Pichardo*

INTRODUCTION

The aim of the present study is to highlight the fact that the administrative process of economic planning in Mexico is well on the way to being fully and firmly established. Year by year changes of varying significance are made in both procedural matters and in all that concerns the creation of new organs or the expansion of existing functions. There is no central planning agency in Mexico, of the kind usually found in the government machinery of many developing countries. There is, however, a central planning system, composed of a relatively small group of Federal Government bodies. This central administrative or planning nucleus has been operating with increasing efficiency in recent years.

The second point dealt with here relates to the progress made by the Government of Mexico in annual operational planning. Although, on the one hand, planning at the national level does not yet seem to have been incorporated into daily routine of public administration, annual public investment plans are already an effective government instrument. In this sense, everything seems to indicate that Mexico, voluntarily or involuntarily, has followed a different path from other countries at a similar stage of development: the accent has so far been placed on annual operational planning, while medium- and long-term planning institutions have been left to develop more slowly.

A. GENERAL CONSIDERATIONS

1. Background of the planning system

Although there is no central planning agency in Mexico, there is a centralized planning system, thanks to which, great strides have been made in mobilizing the country’s material, human and technical resources. The Government acts at all times as a guiding force, through the medium of various agencies which perform programming and planning functions in differing degrees.

* See ECLA, El proceso administrativo de la planeación económica en México (ST/ECLA/Conf.30/L.16). The author wishes to express his gratitude to Mr. Gustavo Martínez Cabañas, President of the Institute of Public Administration in Mexico for his invaluable advice, and to Miss Alicia González for her close collaboration in preparing the material, as research assistant of the Institute.
The first attempts to achieve a certain degree of economic planning were made after 1933. There were, for example, the 1934-40 and 1941-46 Six-Year Plans, and the National Investment Commission, set up in 1947, which began by performing few executive functions, but later, in 1953/54, after its reorganization, played an important part in preparing the public investment plan during the 1953-58 government.

The first national investment programme, known as the Plan of Immediate Action, was prepared in mid-1962. It represented a serious attempt to programme public investment and to work out accurate estimates for investment in the private sector.

The planning system in the Federal public sector is based on the Presidential Decrees making it incumbent on all ministries, departments of State, decentralized agencies and semi-public enterprises to present, within a given time, both their investment programmes and their programmes of activities for the next six-year period. These programmes must include the policy lines to be followed by the agency concerned; the problems they propose to solve; those which they consider merit preferential attention and the targets which they hope to attain in the course of a year and at the end of the six-year period; the resources needed to attain those targets and the funds required to put the programme into effect. These documents are submitted to the Office of the President for consideration and approval.¹

The Public Sector Programme for 1966-70 is now being applied.

It should be clearly understood that Mexico’s federal organization imposes formal restrictions on economic planning at the national level, since the development plans prepared by the Federal Government cannot be mandatory for the federated states or for the municipal authorities but only for the Federal public sector. However, mechanisms for financial co-ordination between the federated agencies and the Federal Government have been established through the Ministry of Finance and Public Credit, in the form of subsidies and the allotment of shares in federal taxes. Moreover, the Federal Government has various means at its disposal to persuade the state and municipal authorities to accept the guiding principles of the different plans. This type of influence is illustrated by the discretionary power held by the Ministry of Finance to give priority in allocating Federal investment and aid to the agencies that abide by the principles established.²

Consequently, although there are planning schemes at the state and regional level, the Federal system of planning is the only one to exist in Mexico, and its field of action is confined to investment. In the last two years a budget programme has been set up to control current expenditure.³

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2. The concept of economic planning, and current opinion

The concept of economic, administrative and social planning forms part of the platform and action programme of Mexico’s various political parties, although each one’s approach to the question naturally differs in accordance with its particular ideology. The Government and important economic and cultural groups also support the concept of planning.

There are four legally constituted and recognized national political parties represented in Congress: the Partido Revolucionario Institucional (PRI), the Partido Popular Socialista, (PPS), the Partido de Acción Nacional (PAN), of conservative tendencies, and the Partido Auténtico de la Revolución Mexicana, (PARM).

The statutes and working principles of the PRI have long affirmed the need for national planning. In fact, the government programme of this party’s candidate for the Presidency is actually a set of qualitative targets in a development plan.

The PRI has set up Programming Boards, which provide material for the preparation of the government programmes of presidential candidates. It also has an Institute of Economic, Social and Political Studies, which is entrusted with the study of such problems.

Mention should be made for purposes of information, of the draft legislation on Federal planning which a group of PRI senators submitted to the Senate on 29 October 1963. The bill highlights the special conditions of Mexico’s administrative and political organization, and urges that planning should be compulsory for the public sector while being merely indicative or in the nature of guide-lines for the private sector; it also stresses the need for co-ordination with local government programmes.

Although this bill failed to command the necessary support to obtain approval, it had the merit of reducing the various aspects of national planning to clear, if controversial, terms and concrete proposals. The draft legislation sets forth national development aims, the minimum elements of a plan, and the bases for its review, implementation and control. Also specified are the competent and supporting agencies for the various stages of the work.

As part of the Political and Social Platform for 1967-70 issued by PAN, it is considered vital for the public and private sectors to co-operate in the preparation, implementation and control of an economic and social development plan. This line of thinking is especially meaningful in that it represents a change in the traditional economic policy of the party, which formerly upheld the desirability of limiting State action in the economic field.

The PPS presented a bill on national economic planning to the Chamber of Deputies, with the aim of providing the Government with a central planning machinery. In its statement of reasons the party argues that planning — as shown by other nations’ experience — is the only way of co-ordinating and harmonizing the tasks of the different government departments among themselves and with those of the private sector. This bill provides for the establishment of legal bases for the formulation of economic and social development plans, and for plan implementation and control. It proposes that a National Planning Commission and a National Economic and Social Council should be set up, the former as a
high-level technical body, and the latter as a top-ranking body for political co-ordination and supervision.\(^4\)

Although some members of the private sector maintain their stand against State intervention in the economy, this sector has expressed willingness to co-operate to a certain extent in development programming activities. This was made clear in the opening address delivered by the President of the Confederation of National Associations at the Fifth National Council of Manufacturers, held on 19 February 1964, who stated that the last important topic before Congress was the relationship between private enterprise and the Government in connexion with the major national economic activities. The concept of a passive government occasionally regulating a particular sector for purposes of public order had been gradually replaced by that of a more active government which guides, promotes, co-ordinates and sometimes supplements the economic activity of private individuals.

Recently, during the official statements made in commission with the approval of the public investment programme for 1968, the National Association of Transforming Industries and the National Chamber of Commerce of Mexico City expressed their satisfaction, and stated that they were in favour of closer co-operation between the public and private sectors so that public investment might supplement private investment.\(^5\)

The inclusion of public administration as a special branch of study in the School of Political and Social Sciences, as part of the academic courses offered by the Universidad Nacional Autónoma de México, and the existence of the Institute of Public Administration and the Mexican Planning Association, reflect the interest of academic centres and cultural and technical groups in training specialists in this field.

3. Duration of plans

The duration of the plans formulated thus far has depended, in general, on how much of the six-year government term of office has elapsed. For example, the so-called Plan of Immediate Action covered only three years, from 1963 to 1965, and the plan now in force is for 1966-70.

It is interesting to note that some decentralized bodies – the Federal Electricity Commission, for instance – draw up investment plans for periods of more than six years, because of the nature of the work in which they are engaged and their field of activity. Moreover, in what might be termed the social sector, there is a complete and extensive plan for the improvement of primary education in Mexico, covering a period of eleven years.\(^6\)

The public sector as a whole has no annual plans other than its own budgets; however, some subsidiary bodies prepare and publish annual investment plans

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\(^4\) Chamber of Deputies, Diario de los Debates, 14 December 1965.

\(^5\) El Día, 9 January 1968.

\(^6\) Jaime Torres Bodet, Minister of Public Education, “La Comisión Nacional para formular un plan destinado a resolver el problema de la educación primaria en el país”, El Día, 19 October 1959.
and programmes of work. These include the work programme of the Mexican Social Security Institute, which its Director presented to the General Assembly of that body;\(^7\) the National Agricultural Plan for 1967-68, introduced by the Minister of Agriculture in November 1967, in which targets were established for agricultural production,\(^8\) and several other plans and programmes.\(^9\)

4. Legal nature of plans for the public and private sectors

In his annual report on the state of the nation for the period September 1965 to August 1966, the President of Mexico stated that Mexico would never depart from the principle that its programming was not mandatory and did not include the possibility of rectification. In the public sector it establishes the chain of authority and takes decisions. In the private sector it indicates, informs and guides. It lays down guiding principles and takes steps to co-ordinate the two sectors of the national economy. The plans are mandatory for Federal Government bodies, decentralized agencies and semi-public enterprises, and merely indicative for the private sector.

The Federal Government is anxious to improve co-ordination between its own economic activities and those of the private sector. Among the government statements testifying to this concern is the Presidential Decree on Economic and Social Development Planning in Mexico, of 7 July 1961, in the consideranda of which it is stated that the accelerated progress of the national economy demands greater public and private efforts and that it is necessary to strive for better and more streamlined co-ordination among the various Federal Government departments and agencies and between them and local government and private groups. It is also stated in article I, paragraph VI, of this Decree that it is the responsibility of the Federal Executive, acting through the ministries, departments of State, decentralized agencies and semi-public enterprises, to intensify its efforts to promote the co-ordination of the activities of public sector bodies with one another, and with state and municipal governments and private enterprise.

The Plan of Immediate Action for 1962-64 was the first document to set forth investment guidelines or indications for the private sector, with the object of establishing planning at the national level. The Plan covered both investment in the public sector and likely investment in the private sector, and considered possible means of financing. It states that, in particular it has been thought imperative that the private sector should have a better grasp of long-term objectives and general prospects for economic development and should undertake appropriate studies of their respective sectors, especially in industry, in order to harmonize their expansion projects with one another and with those of other branches of the economy so that they can receive maximum

\(^7\) *Comercio Exterior*, February 1967, p. 110.

\(^8\) *Comercio Exterior*, December 1967, p. 990.

\(^9\) For instance, the plans presented by the Ministry of Communications and Transport for 1967: passenger and freight railroad construction programmes; national telecommunications programme; a programme for airport co-operation; and a national civil aviation programme.
co-operation from government institutions in the implementation of their plans.\textsuperscript{10}

At present the private sector takes no official part in the preparation of Mexico’s economic plans, but frequent consultations are held at all levels. In addition, article 8, paragraphs V to XIV of the Act on Ministries and Departments of State sets forth the permanent functions of the Ministry of Industry and Trade as regards co-ordination with the private sector. Import and Export Committees set up by this Ministry are composed of representatives of the different industrial sectors concerned and operate, in practice, in a liaison capacity with the public sector.

5. Responsibility for final approval and decision-making in planning

In Mexico, the Executive is the supreme authority that approves the final decisions taken in connexion with plans formulated by the bodies and institutions responsible for implementing them, since they all form part of the Executive itself.

Under various articles of the Federal Constitution, the power of decision-making in economic matters is conferred solely on the Executive. Likewise, the Executive is authorized to send economic bills to Congress. Several laws containing regulations for the application of the Constitution give the Executive discretionary powers to regulate various economic and fiscal mechanisms. For example, in the Executive Powers Act, the regulations governing article 28 of the Constitution authorize the Executive to take part in the allocation of the factors of production; it is one of the essential legal instruments for assuming responsibility for the execution of various phases of national economic planning, and although no use is made of the broad prerogatives it accords, it makes it possible to regulate down to the last level of the economic structure: private enterprise itself.

6. Legal form of the decisions

The Executive’s decisions are converted into legal acts through the promulgation of presidential decrees and the presentation of bills; when the latter are approved by Congress they become Acts. The former is exemplified by the Presidential Decree on Economic and Social Development Planning in Mexico, published in the \textit{Diario Oficial} of 2 August 1961. This document analyses in detail the desirability of using planning techniques to promote the country’s economic development, and sets forth planning objectives.

Examples of the latter are the Federal Revenue Act and the Expenditure Budget which, from 1965 onwards, includes the budgets of decentralized agencies and semi-public enterprises.

\textsuperscript{10} See chapter VI of Antonio Ortiz Mena’s \textquotedblleft Desarrollo Económico y Social de México\textquotedblright, paper presented by the Ministry of Finance and Public Credit to the First Annual Meeting of the Inter-American Economic and Social Council (IA–ECOSOC) at the Expert and at the Ministerial Levels (Mexico City, October 1962).
Legal sanction of plans formulated by Ministries, decentralized agencies and semi-public enterprises represents approval by the competent institutions – which are listed elsewhere – of the investment plans and programmes, their budgets and any modifications to those budgets.

Legal sanction of plans formulated for the public sector as a whole takes the form of an authorization signed by the President of the Republic himself, and is published in the form of a decree. In both cases, the ministries and departments of State, decentralized agencies and semi-public enterprises making up the Federal public sector are compelled by law to comply with the guide-lines indicated in the plans. In the event of non-compliance, a number of coercive administrative and financial measures are envisaged, such as the withholding of subsidies or the rejection of budget items.\(^{11}\)

As far as the private sector is concerned, there is practically no specific legal sanction; government intervention is purely indicative and is carried out in practice through the use of incentives, mainly of a fiscal character.

8. Basis of the authority of planning agencies

As explained before, there is no central planning agency in Mexico. The work of economic and social programming and planning is carried on by a number of agencies and institutions, whose competence is defined in the legal provisions set forth below.

The Act on Ministries and departments of State, of 23 December 1958, established fifteen ministries and three departments of State for the study, planning and despatch of the business of the various branches of the Administration. The Office of the President of the Republic holds supreme power in questions of national planning. The responsibilities incumbent upon this Office are specified in article 16 of the Act, to wit:

I. To study and draft the presidential decrees for due implementation;
II. To compile the data for the preparation of the general plan of public expenditure and investment of the Executive and the special programmes authorized by the President of the Republic;
III. To plan projects and systems and their utilization, and to plan the development of the regions and areas indicated by the President of the Republic, for the public good;
IV. To co-ordinate the investment programmes of the various organs of the Public Administration and to consider the changes which should be made in them;
V. To plan and supervise public investment and the investment of decentralized agencies and semi-public enterprises;
VI. To register the acts and decrees promulgated by the Executive and the decrees and resolutions of the President of the Republic;
VII. Other responsibilities which are expressly assigned to it by laws and regulations or by the President of the Republic.

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\(^{11}\) See “Ley de Ingresos de la Federación para el Ejercicio de 1968”, Diario Oficial, 29 December 1967.
The powers of the Ministry of Finance and Public Credit are established in article 6 of the same Act, and include some that are directly related to the questions dealt with here. For example:

1. To study and formulate draft legislation, tax provisions, and revenue acts of the Federation and of the Federal District Department;

5. To project and calculate income and expenditure, and to make a provisional breakdown of both, for the Federation and the Federal District Department;

6. To draw up draft general budgets of expenditure for the Federation and for the Federal District Department;

XI. To take part in all operations in which use is made of public credit.

The functions of the Ministry of National Wealth, which are indicated in article 7 of the Act, relate to the control and supervision of programmes and plans, and include the following aspects:

XII. To control and supervise the financial and administrative aspects of the operation of decentralized agencies, institutions, corporations and enterprises which handle, own or exploit the goods and natural resources of the nation, or the associations and institutions in which the Federal Government has shares or an interest and which are not expressly under the aegis of or subordinate to another ministry or department of state;

XVII. To take part in the investment of subsidies granted by the Federation to governments of states and Federal territories, municipalities, institutions or private persons, whatever the purpose of such investment, in order to ascertain in conjunction with the Office of the President, whether it is being effected as agreed upon.

The Presidential Decree of 29 June 1959 stipulated that ministries and departments of State, decentralized agencies and semi-public enterprises should prepare an investment programme covering the projects to be executed annually from 1960 to 1964, with the aim, among others, of accelerating Mexico’s economic and social development.

As an illustration of how the legal basis of the planning machinery is created, it is useful to recall the Presidential Decree of 26 October 1959, which established the lines along which the offices of the Executive, the decentralized agencies and the semi-public enterprises were to operate in relation to investment programmes.

The Presidential Decree on Economic and Social Development Planning in Mexico states that, to achieve the proposed national goals, the problems and needs arising from the country’s progress must be examined from the standpoint of over-all planning; that the ministries, departments of State, decentralized agencies and semi-public enterprises should direct their action programmes towards those goals and should pool their efforts to prepare and execute co-ordinated economic and social development programmes.

Examples of other provisions which supplement the legal basis of the planning system are the Federal Statistics Act, the Act on Federal Executive Powers in Economic Matters, the Act on New Essential Industries and the organic law on monopolies relating to article 28 of the Constitution.
9. The structure of the planning system

The planning system in Mexico has two main features: first, a set of legal provisions empowering the Executive to participate in the management of the economy, and, secondly, a number of specialized government bodies, some exclusively concerned with planning while others do planning or programming work in addition to their own activities.

At the summit of the planning system, there is the President of the Republic who is the sole political authority with full powers and responsibility in economic matters under the Constitution. In fact, Mexico's Constitution lays down the bases on which the Executive may intervene in any part of the machinery of the economic system. The relevant articles are No. 28 (the organic law on monopolies), article 73, relating to national credit and monetary policy, and article 89, concerning the power of the Executive to enforce compliance with the law in administrative matters and to appoint or remove officials in the public service, up to and including the rank of Secretary of State.

There is the Act on Federal Executive Powers in Economic Matters, which was issued on 30 December 1950, and replaces the organic law on monopolies in questions of price control. The new Act confers upon the Executive, among other things, wide powers to regulate production, distribution and foreign trade, to fix ceiling prices for wholesale and retail trade and to obtain full and accurate data from the sectors of economic activity.

A number of subordinate organs have been set up to enable the Executive to fulfil its planning responsibilities, and to execute its decisions. Although these bodies may act in close coordination, they do not form part of an organized chain of command.

The planning organs in the Federal Government are as follows:

(a) The Inter-ministerial Commission, established by presidential decree and composed of representatives of the Office of the President and the Ministry of Finance and Public Credit, for the purpose of framing short- and long-term economic and social development plans.

Special importance attaches to the Presidential Decree of 2 March 1962, which set up the Inter-ministerial Commission. The Commission is now the only technical body in the whole machinery of the Federal public sector to undertake the multilateral co-ordination of investment programmes that are a corollary to the sectoral plans. The main provisions of the decree establishing the Commission are as follows:

1. An Inter-ministerial Commission is hereby created, comprising representatives of the Office of the President and the Ministry of Finance and Public Credit, to proceed immediately with the formulation of plans for the economic and social development of the country over the short term;

2. The Inter-ministerial Commission shall take account of the provisions of the Presidential Decrees of 7 July 1961 and 29 June 1959, and of the provisions of the Expenditure Budget;

3. The Commission shall determine the total amount, structure and financing of national expenditure and investment;

4. In order to use international credits, public agencies must first fulfil the requirements laid down in the applicable laws and regulations which apply;
8. The national development plans formulated under this agreement shall be submitted as soon as possible by the head of the Office of the President and the Minister of Finance and Public Credit to the President of the Republic for his consideration.

While the Inter-ministerial Commission did not immediately have the necessary strength and the prestige to take an active part in the economic planning of the country, as had been hoped when it was created, it is now making its presence felt in government decisions on economic policy. The fact that the ministries are represented not by their heads but by high-level technical officials makes it difficult to co-ordinate economic guidelines at the highest level. It must also be remembered that the approach of the planning body is liable to be influenced by the views or opinions of a particular executive department of the public sector and may reflect such views in too partial a manner.

Of special importance among the provisions that have entered into force during the current six-year government term is the Presidential Decree of 23 July 1965 ordering ministries, decentralized agencies and semi-public enterprises to send to the Office of the President, before 31 August each year, their investment programmes for the following financial year. Another provision — which is very important for the proper supervision of the operations of the semi-public sector — is the Act of December 1965 relating to the control of decentralized agencies and semi-public enterprises, which defines the powers of the Ministry of National Wealth as supervisory organ for such agencies and enterprises, and the authority of the Office of the President and the Ministry of Finance and Public Credit in matters of control and supervision.

(b) The Office of the President, which authorizes the investment expenditure for all departments of the Federal public sector.

(c) The Ministry of Finance and Public Credit, which prepares and authorizes the budget estimates for departments of the executive, legislative and judicial branches and for some State agencies and enterprises. It keeps in close contact with the ministries and departments of State regarding financial problems and also with the decentralized agencies regarding the funds and subsidies granted them. State governments and municipalities, for their part, keep in contact with the Federal Government through the Office of the President and the Ministry of Finance and Public Credit.

(d) The Ministry of National Wealth, which is responsible, inter alia, for the control and supervision of the investments of State agencies and enterprises.

At a different level there are other agencies that participate in the planning process, for example, the Banco de México and the Nacional Financiera. The former is responsible for monetary policy, while the latter acts as a development bank, with respect both to decentralized agencies and to private industry.

10. Trends in the distribution of public and private investment

A quantitative estimate has been made of the levels of participation of the public and the private sectors in investment programmes. Some general examples, of the distribution of investment, past and present, are given below. In 1962, an economic development plan was formulated and implemented which
required a total investment of 15,000-20,000 million pesos. The plan provided for close co-operation between the Government and private enterprise regarding investment. It was known as the Plan of Immediate Action, and covered the period 1963-65. Its basic objective was to accelerate the economic growth of the country so as to raise the growth rate from 3.6 per cent in 1962 to 6 or 7 per cent in subsequent years. The Plan aimed at attaining a sufficiently high level of public and private investment in 1962-64 to ensure that the gross domestic product would increase at an annual average rate of at least 5 per cent during 1961-65.

In addition, the first Presidential Report for the six-year period 1965-70, submitted on 1 September 1965, stated that Federal public investment authorized for 1965 totalled 16,000 million pesos up to and including August. Of that amount, 8,091 million was for the Federal Government, 6,077 million for the decentralized agencies, and 1,808 million for the semi-public enterprises. On that occasion no estimates were made of the proportion of total investment corresponding to the private sector. It was merely stated that in order to ensure that Mexico had more and better private enterprise, a list had been made of 369 products which could be manufactured on internationally competitive terms. Entrepreneurs who had shown that they were prepared to help in the industrialization of the country already had a copy of the list.12

The Second Presidential report for the six-year period 1965-70, submitted on 1 September 1966, fixed the investment levels for both sectors in the Development Plan for 1966-70, and also indicated the sectorial distribution of investment in the public sector. The level of investment required by the target of a 6.5 per cent annual growth rate for the period 1966-70 was fixed at 275,000 million pesos, of which 95,000 million was for the public sector and 180,000 million for the private sector. With respect to the private sector it was stated that between 1966 and 1970 the investment of 95,000 million pesos would be distributed as follows: 39.5 per cent to industry, 22.6 per cent to transport and communications, 14.2 per cent to agriculture and fisheries development, 22.1 per cent to social welfare and 1.6 per cent to administration and defence.13

11. Implementation of public sector plans

From the standpoint of their participation in general policy decisions, the various agencies in the Federal public sector can be divided into three categories: the purely executive agencies, those whose main function is to define policy, and mixed agencies. The majority of the decentralized agencies and all semi-public enterprises belong to the first category since they are executive instruments. On the other hand, the main function of the Office of the President and the Ministry of Finance and Public Credit is to define general policy. The other ministries and departments of State are mixed bodies since they are instruments for the implementation of the economic and social policy of the Federal

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Government, but they also influence, interpret and modify policy through their decisions.

In carrying out the plan, most of the agencies in the public sector are assigned an executive function. Their activity is based on the individual plans authorized by the competent organs, and is maintained within the limits laid down in the plans, in accordance with the instructions they receive from the planning bodies.

The Presidential Report of 1 September 1963 states that the authorization of investments is subject in all cases to an examination of the needs and programmes of the bodies concerned, and the amount and origin of resources available, i.e., budgetary funds, funds belonging to the decentralized agencies and semi-public enterprises, and internal and external financing, the latter being kept within the country's capacity to pay and care being taken to ensure that they are strictly non-inflationary.\textsuperscript{14}

12. Evaluation of results

The Federal Government does not publish any technical report solely to compare the results of development plans and programmes with the targets set. However, sufficient sources of information undoubtedly do exist on the basis of which a careful evaluation can be made of the progress of plans. Enough information is available (despite statistical limitations) to assess results, compare them with the targets set in the plan, and evaluate what has been achieved.

In accordance with article 93 of the Federal Constitution, the various departments in the public sector must report to Congress on the progress of the matters for which they are responsible. In compliance with this instruction, the ministries publish annual progress reports, with statistical annexes, on the results of their programmes. These publications serve as a basis for the government report on the public administration, which the President of the Republic submits to Congress on 1 September each year. The report gives a general outline of the activities undertaken and the targets attained, comparing them with developments in the previous year, and sometimes for several years back. For example, the fourth Presidential Report submitted by Mr. Gustavo Díaz Ordaz, on 1 September 1967, dealt with the following matters: domestic policy, economic policy, with reference, \textit{inter alia}, to investment authorized for the public sector, the monetary situation of the country, the national debt, foreign credit utilized, the terms and flows of bank credit, agricultural credit granted, public income and expenditure, the financial situation of the decentralized agencies, the objectives of tariff policy, and the situation and special conditions of agriculture and industry; social welfare policy as it affects public health; social security, housing, education and culture; and foreign policy. It also included a message to the various social sectors of the country. For the first time, the report included annexes on Federal public investment showing the investments authorized for 1967, for the principal programmes completed and under way.

\textsuperscript{14} Adolfo López Mateos, \textit{II Informe de Gobierno}, 1 September 1963.
Another annual government report relating to economic matters is issued by the Budget and Accounts Committee of the Chamber of Deputies and consists of an analysis by the Office of the Comptroller-General which is responsible to Congress, of the budget sent by the Executive to the Legislature. The document is entitled: “Report on the Treasury accounts of the Federal Government”. This report and the Treasury accounts themselves, together with the explanatory memorandum accompanying the two annual budgetary Acts (the Federal Revenue Act and the Expenditure Budget), provide sufficient information to give a clear idea of the financial progress of the public sector and the development of investment programmes.

In addition, the Inter-ministerial Commission prepares an annual report for limited circulation, discussing, *inter alia*, sectoral economic growth, the effective channelling of investments and the state of internal and external credit.

Annual technical reports giving detailed accounts of various aspects of the economic situation of the country are also published by such important official institutions, as the Banco de México, the Nacional Financiera, the Banco Nacional de Comercio Exterior and the Statistical Office of the Ministry of Industry and Trade. Far from confining themselves to the public sector, these reports provide ample statistical information on all the other sectors of the economy. Some private institutions also publish data on branches of activity.

The regular economic publications thus provide sufficient information for a detailed evaluation of the results obtained and for a comparison of the plans and programmes and with actual achievements.

13. Administrative difficulties and bottlenecks which have most seriously affected plan implementation

In the Presidential Report for the year 1966, the President of the Republic referred to administrative problems in relation to economic and social development policy. Coming, as it does, from the supreme authority in the country, his analysis has special significance.

The President stated that the spectacular progress achieved in many fields had not been matched by corresponding progress in what was already a highly complex and extensive administrative system, in accordance with the great advances in modern administrative techniques. While official agencies had certainly been able to carry out their tasks successfully, it was clear that the administrative organization of the State was obsolete and that its systems were old and worn out.

The Government proposed to initiate a radical reform of the public administration system which, without interfering with the legal and political structure laid down in the Constitution, would ensure intelligent and balanced distribution of authority among the various departments of the public sector, define their powers, and do away with antiquated practices and procedures. In brief, it hoped to form a modern public administration system which would be flexible and effective and better able to serve the country.

The reform could not be accomplished in a few weeks or months. It would require years of study and preparation, as in other countries which had undertaken similar tasks, and would require assistance from everyone, private individuals and public servants alike.
It is indisputable that, as is widely believed, the procedures and methods of the Mexican public administration system are obsolete and out of step with the progress of technology in other fields of activity.\textsuperscript{15}

A glance at the structure of the Federal public administration system as it was in the early years of this century — after the substantial reforms made between 1890 and 1896 by the Government of General Díaz — will show that it differs very little from the system now in force, with a few deletions and additions, the additions generally involving the establishment of two ministries in place of one.

The central public administration (this term is used to differentiate it from the semi-public sector) is the only juridical institution of those existing at the beginning of the century that was not substantially changed as the Mexican Revolution consolidated itself.

The lack of any notable change in the number and composition of the agencies making up the central nucleus of the Federal executive branch during the past half century would not in itself be an indication of the backwardness of the public administration, were it not for the unfortunate fact that administrative methods and procedures have failed to develop on a par with technical advances in other fields of economic activity. Obsolete procedures and systems and the difficulty of adapting central public administration functions to the needs of rapid economic and social growth, are responsible for the low level of efficiency and productivity at which the government apparatus obviously operates. The relative backwardness of the public administration stems less from the inadequacy of its general structure than from the fact that out-dated procedures and systems are used at all levels of government. The immediate consequence of this state of affairs is a low level of productivity.

Proof that the core of the problem is not an inadequate general structure but the fact that the existing agencies are operating inefficiently can be found in the progress of the semi-public sector. This sector has played a decisive part in establishing the economic infrastructure of the country, thus demonstrating the capacity of the public sector to implement programmes and projects of great technical complexity. The size of the semi-public sector (comprising the decentralized agencies and semi-public enterprises) within the Federal public sector can be appreciated from the budget figures showing the proportion of total revenue and expenditure corresponding to it for the year 1965, when for the first time the budgets of some decentralized agencies and semi-public enterprises were incorporated in the Federal budget.\textsuperscript{16} Total Federal revenue for

\textsuperscript{15} These comments, together with those on the following pages, are based on an article by the author entitled “El propósito y el método de la reforma administrativa”, Comercio Exterior, November 1966, p. 823.

\textsuperscript{16} The decentralized agencies and semi-public enterprises were the following: Petróleos Mexicanos, Federal Electricity Commission, Mexican State Railways, Caminos y Puentes Federales de Ingreso y Servicios Conexos, National Housing Institute, State Lottery, the Mexican Social Security Institute, Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado, Compañía de la Luz y Fuerza del Centro, Industria Eléctrica Mexicana, Nueva Compañía Eléctrica Chapal, Compañía Eléctrica Guzmán, Compañía Hidroeléctrica Occidental, Ferrocarril Chihuahua-Pacifico, Ferrocarriles Unidos de Yucatán, Aeronaves de México, and Compañía de Subsistencia Populares.
1965 amounted to 64,282 million pesos, of which 35,780 million (55.7 per cent) was direct Federal revenue and 28,501 million (44.3 per cent) was the revenue of agencies and enterprises. Total real expenditure for the same year amounted to 64,019 million pesos, of which 36,715 million (57.4 per cent) was direct Federal expenditure and 27,303.9 million (42.6 per cent) was expenditure by decentralized agencies and semi-public enterprises. 17 However, the figures for expenditure by the decentralized agencies in the Treasury accounts of the Federal Government cover only twenty-one agencies out of a total of 417 (although these twenty-one agencies must represent more than two-thirds of the total expenditure of the sub-sector). If the expenditure of all State agencies and enterprises is included, the proportions would be reversed. This fact is also confirmed by the data in the Federal Revenue Act for 1966, which provides for a total revenue of 49,235 million pesos (not including the placement of Government loans), 42.7 per cent of which is direct Federal budget revenue and 57.3 per cent the revenue of the decentralized agencies.

Thus it can be said that the general structure of the Federal public sector — including the central administrative core and the State agencies and enterprises — has satisfactorily performed its task as part of the economic and social development of Mexico. A simple example may help to make this clearer. Many developing countries have found it difficult to maintain a high rate of economic growth since they do not have adequate financial machinery for development promotion which will attract domestic and external resources and channel them towards programmes with a high development priority. In Mexico, the Nacional Financiera has successfully carried out this task; it has been carefully studied by the Organisation for Economic Co-operation and Development (OECD) — an organization made up of industrialized countries — and proposed as a model development bank for other countries. 18

Hence, the general problem of the Mexican public sector is not that of an inadequate or incomplete structure but rather the need to increase operating efficiency and productivity at all levels of the existing institutional system. In this respect it is correct to speak of a radical administrative reform, i.e., a reform which will affect all the operations of the public sector and will increase the general efficiency of government administration. The various diagnoses of the problems of Mexican public administration all point in this direction. 19

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18 Angus Maddison (research worker at the OECD Development Centre), “Foreign skills and technical assistance in economic development”, The OECD Observer, No. 22 (June 1966).

19 See, for example, the views of several experts and industrial leaders published by Alardo Prats in El Sol of Mexico City, November 6–15, 1966.
14. Expert opinion

It may be useful here to give the views of a well-known Mexican expert on the problems of the public administration. On the subject of administrative planning, Mr. Miguel Duhalte Krauss considers that public administration puts the emphasis on economic planning and pays little attention to translating economic plans into genuine administrative or operational plans. For this reason the work done at the various levels has no terms of reference, and plans are generally declaratory in nature; and that if efficient organization means the correct division and distribution of work at all levels based on organization and methods techniques, proper delegation of authority and responsibility, and easy vertical and horizontal communication to ensure the necessary co-ordination between the various bodies, it must be admitted that it does not yet exist in Mexico.

His view is that the limitations of analysis make it difficult to judge whether the existing centralization is excessive for development purposes although he adds that the public administration is weak at the state and municipal level and that it is urgently necessary to carry out administrative training programmes. While recognizing that measures have been taken to ensure that there is honesty in the purchasing and supply system, he stresses the need to apply modern techniques to procedures for purchasing, stocking, supplies and transport throughout the Federal public sector.

In Mexico, Duhalt Krauss points out, many decisions are taken for political rather than for purely administrative reasons. On the absence of really effective co-ordination he says that poor organization, weak local and municipal governments, inadequate communication and a lack of unity and cohesion at the top together result in a low level of "combined action". There are still some official departments which are not paying proper attention to keeping the public informed.

15. Three bottlenecks

In the view of the author of the present paper, the difficulties and bottlenecks that most affect plan implementation are to be found in the following areas:

(a) Poor over-all co-ordination of the activities of the various departments, ministries, departments of State, decentralized agencies and semi-public enterprises. Inadequate co-ordination is a limiting factor in Mexican public administration. In a country like Mexico, with a Federal political system, there is also a need for formal machinery to promote co-operation between the Federal Government and state governments.

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20 Miguel Duhalt Krauss, Lecture given on 7 May 1964 during the Seminar on Public Administration held by the Escuela Nacional de Ciencias Políticas of the Universidad Nacional Autónoma de México.

21 See also Miguel Duhalt Krauss, "The case of Mexico". In: Public administration in Latin America (Washington, D.C., Pan American Union, March 1964), pp. 1 and 16.
(b) Delays in adapting and using modern administrative and organizational techniques designed to increase productivity, simplify systems and procedures and rationalize decisions. There is a need for expert groups which, besides helping to establish technical units, would promote acceptance of the idea that it is essential to change the systems and procedures and to use modern techniques.

(c) Inadequate integration of state officials and employees. It is essential to centralize the administration of Federal staff, to unify the recruitment and selection methods used, and also to establish a training for public officials.

B. CENTRAL PLANNING MECHANISMS AND THEIR RELATIONS
WITH DECISION-MAKING CENTRES

1. Participation of planning agencies in the decisions
of public credit institutions and development banks

Planning agencies take no official or clearly defined part in the decisions of Mexico’s development corporations and banks. Their participation is indirect and at a higher level. Some planning agencies are represented on the governing bodies of those banks and corporations, in particular the Ministry of Finance and Public Credit whose representative is usually the Chairman of the governing body.

The following are examples of such participation:

(a) The Nacional Financiera, the main auxiliary organ of the credit institutions responsible for promoting and channelling capital investment and for industrial development the granting of credits, to both the public and private sectors, for high-priority development projects. Its supreme authority, the governing body, is composed of the Minister of Finance and Public Credit, as Chairman and among others, the Minister of Industry and Trade, the Minister of National Wealth and the Director of the Banco de México, as members.

(b) The Banco Nacional de Comercio Exterior, a national credit institution responsible for promoting trade relations between Mexico and other countries. The Chairman of the governing body is the Minister of Industry and Trade, and the principal members are the Deputy Minister of Finance and Public Credit, the Minister of Agriculture, the Minister of National Wealth, the Minister for Foreign Affairs, the Deputy Minister for Revenue of the Ministry of Finance and Public Credit, and the Deputy Director of the Banco de México.

(c) The Banco Nacional Agropecuario, whose aim it is to channel more financial resources to the rural sector, both from abroad and from the private banking system. The members of its governing body include the Director of the Banco de México, as Chairman, the Deputy Minister of Finance and Public Credit, the Head of the Department of Agrarian Affairs and Land Settlement, the Deputy Minister of Agriculture, and the Director-General of Nacional Financiera.

(d) The Banco Nacional de Crédito Agrícola, one of the two banks traditionally engaged in developing the rural sector. Its governing body is composed of the Minister of Agriculture, as Chairman, the Director of Credit of the Ministry of Finance and Public Credit, the Deputy Minister of Finance and
Public Credit, and the Deputy Minister for Credit of the Ministry of Finance and Public Credit.

Co-ordination between planning agencies and development institutions takes place at the director level. A committee for the co-ordination of national credit institutions, consisting of the directors of the Banco de México and of the main national credit institutions has been set up under the chairmanship of the Minister of Finance. This body is responsible for defining fields of competence, considering joint financing plans, channelling credit and, in general, promoting collaboration between institutions.

2. Participation of planning agencies in government decision-making on transport, power and other types of investment in infrastructure

Each year, the inter-ministerial committee for the Formulation of Development Plans (composed of technical representatives of the Ministry of Finance and the Office of the President) determines, in conjunction with the departments concerned, the total investment to be made in infrastructure during the year. This decision is based on the calibre of the investment projects, the priority attaching to each investment according to the over-all public sector programmes and the availability of internal and external financial resources. With the aid of these data, investment-financing tables are prepared as a basis for the operations of the Department of Public Investment.

The Department of Public Investment, which comes under the Office of the President, is concerned with establishing the broad lines of policy for investment and general investment objectives. It also prepares an individual evaluation of each infrastructure investment project and authorizes or rejects such investment according to the intrinsic value of the project and its importance in terms of a general system of priorities deriving from the public investment programme (now relating to 1966-70).

The final decisions which modify the original plans are communicated to the subordinate organs and agencies when they request the permission of the Department of Public Investment to make a particular investment.

The measures in force today modify the old procedures for authorizing investment in that they envisage the need to approve total public sector investment in the light of the investment-financing tables, and also provide for the individual approval of specific projects in the course of the fiscal year. As mentioned above, the former task is carried out mainly by the inter-ministerial committee and the latter by the Department of Public Investment.

3. Participation of planning agencies in national monetary policy

The principal legal instruments applicable to currency and banking are the Monetary Act, the Organic Law establishing the Banco de México, and the General Act on Credit Institutions and Auxiliary Organizations. This last Act regulates the activities of banking institutions in Mexico — mainly in the private
sector — since national institutions are generally regulated by their own organic laws or private statutes.

Monetary policy is conducted by the Ministry of Finance and Public Credit in consultation with the Banco de México. There are also supervisory agencies, such as the National Bank Commission and the National Securities Commission, which assist in the proper application of this policy.

The Banco de México, as the central bank, establishes and regulates the monetary instruments designed to stimulate the growth of domestic production under stable conditions. The Banco de México naturally influences the purchasing power of the currency by regulating its issue and circulation; it is responsible for maintaining the external convertibility of the Mexican peso; it operates as a reserve bank and clearing-house for associate institutions; and it acts as financial agent of the Federal Government and represents it vis-à-vis international credit agencies.

The National Bank Commission supervises the credit institutions and auxiliary organizations and sees that they operate in accordance with the regulations specifically laid down for them. Through its regulations and instructions it must also support the central bank in its work of regulating monetary policy.

The functions of the National Securities Commission are to organize a system for supervising the stock market and to encourage the proper channelling of national saving. It keeps in close contact with the Banco de México and co-operates with its policy of selective credit control through a system which calls for authorization by the Commission of any securities offered to the public. It also keeps in close touch, administratively and operationally, with the National Bank Commission.

The monetary policy aims at maintaining the internal stability of the currency, while warding off pressures on the exchange market which might affect the exchange parity of the Mexican peso. All this falls within the main objective of Mexico's general economic policy, i.e., to accelerate economic development. In order to fulfil its aims, the Banco de México possesses some well-tried traditional instruments, e.g., variations in the rediscount rate, purchase, and sale of securities on the market, changes in the rate of compulsory deposits, the fixing of floor and ceiling rates of interest for private banks, and the establishment of percentages for the various items under the head of liabilities in relation to their capital and reserves.

While the major function of planning agencies is thus to programme investment, they play no direct part in monetary policy decisions. These are taken by the Minister of Finance and Public Credit, after consultation with the Director of the Banco de México. The Minister is of course, in a position to weigh the general economic factors against the specific requirements of credit policy.

4. Participation of planning agencies in credit policy

As regards financial policy in general, and its monetary and credit aspects in particular, the planning organ is the Ministry of Finance and Public Credit. It is
headed by a Minister, who is appointed or removed from office by the President of the Republic. In matters of credit he is assisted by a Deputy Minister and a Director-General of Credit; the latter is responsible for putting general policy governing these questions into immediate practice.

The internal credit extended by the private banking system is regulated through the Banco de México. Furthermore, the Committee for Co-ordinating National Credit Institutions, of which the Minister of Finance is Chairman, is responsible for programming public credit. The regulations governing national credit institutions and their supporting organizations laid down on 29 June 1959 stipulate that when the Committee concerns itself with problems related to other national credit institutions or auxiliary national credit organizations, the Directors or General Managers concerned should also be invited to sit on the Committee.

In addition to the functions undertaken by the central bank, the Federal Government supervises and controls banking and credit activities through the National Bank Commission (a body which falls into the category of what has sometimes been termed “decentralized”), in whose Executive Committee the Director-General of Credit participates. This agency fulfils the functions which in other countries are carried out by the bank authorities. In order to co-ordinate these activities properly, officials from the Ministry of Finance, the Banco de México and the National Bank Commission keep in constant touch with one another.

Mexico’s external credit has been co-ordinated and given an order of priority through the Special External Financing Commission, an agency which forms part of the administrative organization of Nacional Financiera. This Commission is composed of the Minister of Finance and Public Credit, as Chairman, and the Director of the Banco de México and the Director of Nacional Financiera, as members. In the use of external financing, Nacional Financiera’s policy is to promote projects aimed at saving or generating foreign exchange, tapping resources under the best possible conditions and working actively through the Special External Financing Commission to obtain extensions of payments deadlines and moratoria for external credit, limiting short- and medium-term borrowing to strict essentials in order to restrict financial servicing, and endeavouring to apply the loans to the best possible advantage.22 23

5. Participation of planning agencies in foreign trade policy

On the basis of the premise that the State is responsible, through the competent bodies, for providing an operative institutional framework that will encourage and co-ordinate private export activities (for which there is no substitute) within the framework in which Mexico’s economic life is developing,23 the degree to which planning agencies participate in foreign trade

23 Francisco Alcalá Quintero, Deputy Minister for Revenue of the Ministry of Finance and Public Credit, during a meeting of the Association for the Development of Mexican Exports (Monterrey, N.L., 2 December 1966).
varies according to their particular functions and to the relationships between them as integral parts of that operative institutional framework.

It is useful to note some aspects of the administrative structure in this area. Participation by the Ministry of Finance and Public Credit is of two kinds: direct, through the handling of customs tariffs (a function which it performs in co-ordination with the mechanisms for the selective control of imports and exports effected by the Ministry of Industry and Trade), and indirect, though none the less important, through its participation in the top-level organ of foreign trade policy, i.e., the National Foreign Trade Council. The Council was restructured recently by a Presidential decree conferring on it the character of an organ for the co-ordination of activities of the ministries and institutions which take part, within the framework of the Executive, in promoting and regulating foreign trade. The meetings of this Council are attended by the Ministers and heads of departments of State whenever the questions dealt with fall within the competence of their respective branches and relate to foreign trade.

The pertinent part of the resolutions finally adopted by the Council must be implemented (upon prior notification) by each of the Ministries and departments of State involved in their formulation. In other words, the decisions reached by the Council are binding on the organs of public administration, which should report to it on the execution of these decisions. The decisions and criteria are based on the studies and opinions of the ministries and government departments or institutions, and on the findings of the research carried out by the technical consultative commissions or special study groups established by the Council itself.

Although this structure provides for a certain measure of co-ordination, it is still true to say that the restructuring of the Council has not made it any less necessary to review the present division of functions and responsibilities among the many public and semi-public bodies concerned with foreign trade. It often happens that agencies set up to solve specific problems operate virtually on the knowledge of the persons most concerned and without establishing any ties with other subordinate agencies, which naturally reduces their usefulness to foreign trade operators.

The participation of the other national planning bodies—the Office of the President, the Ministry of National Resources and the Inter-ministerial Committee—merely consists in reviewing, approving and supervising the plans and work programmes of the various public bodies concerned with foreign trade.

As regards the co-ordination of private sector activities, mention should be made of the Import and Export Advisory Committees, which are subordinate organs of the Ministry of Industry and Trade and are composed of representatives of producers, merchants and users. It should also be noted that the Ministry assists in the organization of or promotes participation in fairs, helps to organize trade missions to other countries, etc.

The proliferation of agencies in the field of foreign trade has caused administrative problems. These were discussed recently by Mr. Armendariz who

\[24\] The Decree restructuring the National Foreign Trade Council was published in the Diario Oficial of 30 September 1965.

said that there were over twenty agencies currently in operation but he refrained
from giving a long list of names so as not to bore his readers. He pointed out that
the exporter was thus compelled to knock at each of their doors, when matters
would be made so much easier if there were only two or three to open. Moreover, the existence of so many agencies made it difficult to allocate
responsibility.  

This view is supported by the conclusions reached at the First National
Foreign Trade Convention, held on 11 November 1967. The first conclusion
stated that it is necessary to centralize functions relating to foreign trade in a
single agency which should be set up for the purpose, and which should have
regional subsidiary bodies in Mexico’s main production and consumption
centres.

6. Participation of planning agencies in public
and private wage policy

In the private sector, wages and salaries are fixed on the basis of article 123
establishes the minimum wage through the Regional Minimum Wage
Committees. They are capped by a National Minimum Wage Committee, to which the
regional committees are responsible. The National Committee is directly
responsible to the President of the Republic, who nominates a representative to
act as its Chairman.

There is no specific wage policy in Mexico, except the broad lines laid down
by the Executive. Consequently, the planning agencies do not participate at all
in this field. The National Minimum Wage Committee has no connexion
whatsoever with the Inter-ministerial Committee for the Formulation of
Development Plans, while its relations with the Ministry of Finance are confined
exclusively to the execution of its own budget, and those with the Ministry of
Labour are mainly of an informative nature. The latter is responsible for
enforcing compliance with minimum wage levels, since the Committee has no
executive or coercive powers.

In the public sector there are wide disparities between the salaries or wages
of employees and public officials, especially between the various ministries,
departments of State, decentralized agencies and semi-public enterprises. Each
body fixes its own wage policy independently of the rest.

Nor are there, at the moment, any policies or guide-lines aimed at modifying
such disparities, or at establishing a tabulation basis for the public sector as a
whole.

7. Participation of planning agencies in tax
and public credit policy

Mexico’s tax policy is the exclusive responsibility of the Ministry of Finance
and Public Credit. The budget cycle begins with the annual activities of the

26 Antonio Armendáriz, Director of the Banco Nacional de Comercio Exterior, ibid.
(December 1966), p. 905.
Ministry relating to the preparation of the Expenditure Budget and the Revenue Act. Before 31 July each year, the ministries and departments of State and the most important decentralized agencies and semi-public enterprises submit their observations on and amendments to the current budget to the Ministry of Finance and Public Credit. The Ministry in turn informs the other departments whether the amendments have been accepted or rejected and at the same time indicates the total sum allocated to each branch. Once the budget ceiling has been set for each one, they have to present preliminary expenditure projects to the Deputy Minister for Expenditure of the Ministry of Finance and Public Credit. These should include investment for the following fiscal year so that emergency financing requirements can be considered. The report on the preliminary budget estimates prepared by the Ministry of Finance is discussed with the other agencies.

The Ministry of Finance and Public Credit has exclusive competence in matters of tax policy. However, there is no doubt that action is taken in co-ordination with institutions of the public sector. This "co-ordination" has been clearly described by a high-level Federal Government official.

... although at first there was not much co-ordination in the management of the [tax] instruments, which were only at the stage of establishment, testing and improvement, in the last ten years there has been more and more co-ordination in their use. A sufficiently illustrative example is the close co-ordination attained in the handling of the import tariff and the system of prior import permits, and between the production and price policies of State enterprises producing energy and other strategic inputs in keeping with the progress made in import substitution. It cannot, of course, be said that everything has been done in this field or that the use of these instruments cannot, therefore, be improved. In fact, the Federal Government is doing all it can to promote increasingly effective and streamlined co-operation. Moreover, the more the public sector forges ahead with the programming of its activities, the better they will be co-ordinated.27

On the other hand, planning agencies participate to a considerable extent in public credit. The Ministry of Finance and Public Credit is empowered to take part in all operations in which use is made of public credit, and also to handle the national debt. In fact, the decentralized agencies and semi-public enterprises cannot negotiate or obtain credit, whatever its purpose or however it may be justified, without prior authorization from the Ministry of Finance and Public Credit. To obtain such authorization, the investment in question must form part of the programmes already approved by the Executive, and the agencies and enterprises must be sufficiently solvent, in the Ministry's view, to meet any commitments they may assume. The agencies and enterprises are therefore required to report periodically to the Ministry on their financial position. The Ministry does not authorize the contracting of credit to cover current expenditure, but only for investment purposes or as working capital for productive processes. A constant watch is kept on the payment capacity of the public sector as a whole and of the individual bodies in it as regards both internal

and external borrowing, and the necessary studies are undertaken for the purpose.

At first, the Ministry's powers related only to foreign credit, but the need for a stricter control of public indebtedness in general made it necessary to extend them to domestic credit as well. The Ministry's decisions on investment expenditure are based on the authorization of the Office of the President, which in turn is based on the conclusions of a sub-committee composed of members of the two bodies and responsible for studying questions of investment and financing.

As regards national credit institutions and supporting organizations domestic credit is governed by the controls described above, while the inflow of external credit is limited by the need to obtain prior authorization from the Ministry of Finance, the Banco de México, Nacional Financiera, the Banco Nacional Agropecuario, the Banco Nacional de Comercio Exterior, or the Banco Nacional de Obras y Servicios Públicos. Other national institutions requiring external funds would operate through one or other of the national institutions listed above. In accordance with the regulations governing national credit institutions and national auxiliary credit organizations, the Ministry of Finance authorizes the issue of domestic and foreign securities by the government bank and generally supervises its borrowing policy.

In matters of external credit, the Ministry of Finance and Public Credit has been given the power to authorize negotiations, and to decide which of the public sector bodies can negotiate the financing concerned, the negotiation procedures and the terms of the loans.

C. SECTORAL PLANNING MECHANISMS AND THEIR RELATIONSHIP WITH DECISION-MAKING CENTRES

1. Relationship between sectoral planning mechanisms and the decisions of the Head of State

Under the Constitution, the President of the Republic is the head of the Federal Executive and, consequently, the linchpin of the Government's decision-making system. It is he who indicates the broad lines of his decisions to his closest collaborators verbally or in writing. Mexico has no ministerial cabinet system, and therefore no political decisions are formulated collectively.

The "vertical-type" sectoral planning mechanisms function internally within two departments of the Office of the President, the first for investment and the second for sectoral and regional planning, with a number of sections concerned with agriculture, manufacturing, the extractive industries, etc.

As regards the question of financing, which might be considered as a "horizontal" sector, the responsibility falls on the Financing Sub-Committee, which has been set up as part of the Inter-ministerial Committee. Hence, the relations between sectoral planning mechanisms and the Head of State are of an organic character. The Investment Department, the Department for the Public Expenditure Plan and the Sectoral and Regional Planning Department are all units of the Office of the President. As stated earlier, the heads of the various
ministries are directly subordinate to the Head of State, that is, the President of the Republic (who is also the Head of the Government) and they are answerable only to him.

The Inter-ministerial Committee, which is responsible for preparing development plans for the whole economy, is composed of technical representatives of the Ministry of Finance and Public Credit and of the Office of the President. The heads of these two bodies jointly submit the development plan for the approval of the President of the Republic.

As regards the influence and authority of the planning bodies over the rest of the public sector, Mr. Wionczek, one of the best known experts on the subject, considers that the potential advantage of a strong central government, or, more precisely, of an extremely strong Executive, is substantially counteracted by a curious heritage from Mexico’s past: the dispersion of political and economic power inside and outside the Government. The fact that, for all practical purposes, the President of Mexico has no cabinet and that all basic questions are resolved directly by him together with the Minister or department head immediately concerned, with very little co-ordination with other interested Federal bodies, makes it difficult to achieve unity of action among all those called upon to formulate policy in their own fields to say nothing about possible agreement on the general policy to be followed.²⁸

2. Sectoral planning mechanisms and policy-making bodies

There are no sectoral policy-making bodies in Mexico other than the ministries, decentralized agencies and public or semi-public enterprises. For example, the decentralized agency Petróleos Mexicanos programmes activities in the petroleum and petrochemical sectors; the Federal Electricity Commission and affiliated companies, in the electricity sector; the Ministry of Agriculture, in agriculture; etc.

The new system of programming public investment, which is explained in another part of this study, provides for authorization of investment projects after discussion between the sectoral divisions of the Department of Public Investment and Sectoral and Regional Planning and the ministries and decentralized agencies which formulate the projects. The Planning Office prepares programmes for the development of national sectors of activity and of previously selected areas or regions, in order to achieve balanced growth. The Department of Public Investment is responsible for programming, co-ordinating and supervising public investment.

Thus the sectoral planning mechanisms and the bodies concerned with framing sectoral planning policies are directly related, at the level of discussion and study, since the programmes of the public bodies are analysed by grouping them in sectors. This procedure serves to define the role of each body, the

degree of co-ordination that may feasibly be attained and the interrelationships for determining the best measures to be taken under a uniform policy for each branch of activity.

3. National decision-making centres for development measures

The ministries and departments of State, decentralized agencies and semi-public enterprises are in the nature of decision-making centres. An examination of their operation within the public administration reveals that there are too many agencies of all kinds in the different sectors. This applies, for instance, to the agricultural sector, where the result is poor co-ordination, duplication of work, and even operational shortcomings because of the number of agencies involved and the fact that their members are high-level officials who find it difficult to devote enough time to the work to co-operate usefully in it. The existing problems of co-ordination justify the fact that the Office of the President — under which the sectoral planning mechanisms operate — is responsible not only for framing development plans and programmes but also for co-ordinating and supervising their implementation.

Clearly the structure and operation of Mexico’s public administration do not yet meet the requirements of integrated planning. Adjustments and modifications will have to be made, in line with the directives resulting from the application of development plans, so as to adapt and co-ordinate the decision-making centres in each sector.

4. Sectoral planning mechanisms in relation to decentralized autonomous bodies and public or semi-public enterprises

There is a close relationship between decentralized agencies and public or semi-public enterprises on the one hand and sectoral planning mechanisms on the other. The agencies and enterprises are the instruments for implementing the decisions and programmes approved and authorized by the sectoral planning mechanisms represented by the various dependencies of the Office of the President. It should not be forgotten, however, that it is the decentralized bodies and public or semi-public enterprises themselves which are responsible for drawing up their programmes of work and investment.

5. Participation of regional and local bodies in the formulation and implementation of sectoral plans

States, territories and municipalities have thus far played a very small part in the formulation and approval of the Federal public investment programme. The channelling of Federal investment to a given region has depended not only on the specific needs for which the investment was earmarked and on the orientation which national development imposes at each stage, but also on the sectoral interrelationships deriving from this development. According to the
study by Medina Aullón,\textsuperscript{29} however, there are three possible forms of intervention:

(a) \textit{Persuasion:} in its study entitled "El desarrollo regional en México", the Industrial Research Department of the Banco de México expresses the view that it is only when the question of utilizing alternative natural resources arises, because of their usefulness and their geographical location, that the intervention of local governments has taken the form of "persuading" the ministries concerned.

At this level, political factors play a more important part than economic factors in the marginal programmes prepared by the Federal Government, on, for instance, agricultural extension, rural welfare, etc.

(b) \textit{Financial participation:} the local governments have a measure of influence based on their financial capacity to take part in Federal Government programmes under the system of "co-operation", on the basis of equal contributions by the Federal and local governments. This system covers the construction of local roads and schools and some public services. Because of the requirements involved in such co-operation, this type of programme is carried out in the more developed states and advanced urban centres, thus naturally producing unequal development in the "rich" and the "poor" states.

(c) \textit{Direct action:} direct contact is established with the pertinent offices, particularly the Sectoral and Regional Planning Department and the Department of Public Investment in the Office of the President. However, there is no specific administrative mechanism for providing them with instruments, so the Federal sector is responsible for promoting regional development.

No systematic data are available on public investment at the municipal level.

The figures for distribution of Federal public investment by regions show disparities between the various economic regions, within the regions themselves, and also in the objects of the expenditures.

The states play little part in public investment. For example, over-all public investment in 1959-64 amounted to about 59,000 million pesos, of which a little over 52,000 million came from the Federal Government, around 5,900 million from the state governments, and only 910.5 million from all the municipal governments.

Federal public investment policy has not pursued balanced regional development as an explicit and clearly-defined objective, nor does it have the necessary instruments for attaining it. Experience has shown that other investment criteria have taken priority over state and regional development, and the Government has not achieved the general aim of integral economic development because its action has not been based on a rational exploitation of the resources of all parts of the country, nor has it kept in mind the economic development of the various regions.\textsuperscript{30}

There are two types of bodies, set up by the Executive as agencies of the Federal Government, which promote regional economic development. Some are

\textsuperscript{29} Carlos Medina Aullón, "Consideraciones sobre el gasto público y la planeación", dissertation, Universidad Nacional Autónoma de México (1967).

\textsuperscript{30} \textit{Ibid.}
executive while others are just for study and research. The former include the various commissions for rivers and river basins, such as the Papaloapan, Balsas, Fuerte, Grijalva and Lerna-Chapala-Santiago, whose object, apart from supplying energy to other parts of the country, is to develop the regions where the generating plants are situated; the State Forestry Committees; the Federal Boards for Material Improvement; the Local Road Boards; and the National Border Programme, launched in 1961 to promote trade, educational, industrial, urban and other types of development in Mexico's border areas.

D. PUBLIC INVESTMENT PLANS

1. Participation of sectoral planning agencies in the preparation, implementation and control of public investment plans

Public investment planning has been the main type of planning carried out in Mexico, although, as mentioned above, attempts have recently been made to use planning mechanisms to control current expenditure.

It has been established that the Office of the President is probably the principal planning organ. It is composed of a Principal Secretary, an Under-Secretary, a senior officer and the directors of the following departments: Public Investment, Sectoral and Regional Planning, Control and Supervision of Public Investment and Subsidies, and the Legal Department.

The process for formulating annual and medium-term public investment plans begins at the lowest level instead of at the top. That is to say, the various public sector bodies formulate plans and programmes, and the planning bodies study and analyse them and, if necessary, modify them after discussion or send them to the Inter-ministerial Committee for review. Lastly, they are submitted to the President of the Republic for consideration; he approves them and makes them known to the public through his Office.

On the basis of the study of the investment plans presented by the public bodies, the Office of the President requests the opinion of the Ministry of Finance and Public Credit. The Ministry analyses the financing studies, requesting the necessary information from the public bodies which will be investing the funds. The Ministry of Finance and Public Credit provides the funds agreed upon through the Credit Department, and the Office of the President supervises the relevant plans with the aid of the Department for the Control and Supervision of Public Investment and Subsidies.

2. Incorporation of investment plans in the public budget

Prior to the 1967 financial year, budgets were prepared independently of investment programmes. In this connexion, it is worthwhile to refer to a statement on the 1968 public investment programme made by Mr. Emilio Martínez Manatou, Principal Secretary of the Office of the President.
... Co-ordination in public investment has made definite progress in the last three years, particularly with the implementation of the first Investment-Financing Programme in 1967. This Programme consists of a co-ordinated analysis of the investments proposed by the public bodies and the resources for carrying them out, to ensure that the best possible use is made of the financial resources available for the programmed investments, and thereby makes for prompt compliance, continuity and economy in the projects concerned.

As a result of the Investment-Financing Programme, another important step was taken in 1967 with the analysis of the investment programmes. Even when projected over a longer period the only investments authorized are those which feasibly will be effected each year, in accordance with the capacity of the public bodies concerned. This avoids delays in the execution of works which, for want of project, economic studies, or efforts to obtain financing, may have to be carried out after the year in which they are approved, thereby limiting the effects of public investment on the country’s economy and making it impossible to obtain the benefits originally envisaged. By improving investment planning systems and making more comprehensive studies, it was possible to have an exact idea of the sums that would be available for such projects.

Hence, in 1967, it was decided to cancel any authorizations which had not been taken up, and to grant new ones, selecting projects and arranging them in order of priority so that the programme should be carried out exactly as planned. Investment programmes are thus becoming increasingly effective as an instrument of economic policy since they ensure that the work is always executed promptly and that proper background studies, projects and financing are available.

F. ASSIGNMENT OF RESPONSIBILITIES IN PLAN IMPLEMENTATION

1. Co-ordination and over-all review of plan implementation

The general functions of public sector planning and control are essentially the responsibility of three top-level bodies, which fulfil them in compliance with their legal terms of reference: the Office of the President is responsible for planning, co-ordination and supervision; the Ministry of Finance and Public Credit for the implementation of fiscal policy, budget preparation and control, and public credit; and the Ministry of National Wealth for supervision and specific control of the decentralized sector and State-owned resources. This is a complex planning and control system which does not fall into the traditional pattern of a fairly well integrated central organ.

The final and supreme authority in matters of co-ordination is vested in the Federal Executive. At the level of the ministries and departments of State, the absence of cabinet meetings means that the heavy burden of co-ordinating government policy falls on the Executive. To this is added the onerous task of assuming direct responsibility for a large number of public bodies besides the ministries and departments of State.

Needless to say, Mexico has no central organ specifically concerned with the co-ordination and over-all review of plan implementation. The Public Sector Programming Committee, an internal organ of the Office of the President on which the Ministry of Finance and Public Credit is represented, analyses the action programmes of the ministries, departments of State, decentralized agencies and semi-public enterprises, with the purpose of framing a public sector programme divided by sectors of national activity. The Ministry of Finance and
Public Credit (Expenditure Department) establishes the payment orders for financing the projects presented. The Department for Control and Supervision of Public Investment and Subsidies in the Office of the President, must, in so far as the decentralized agencies are concerned, make sure that the available funds are properly managed; the Ministry of National Wealth also takes part in this work through its Decentralized Agencies Department.

There are no top-level bodies which take part in the execution of plans and programmes in Mexico. However, the Public Administration Committee, a subsidiary organ of the Office of the President, is responsible for studying the structure and operation of the administration and proposing the necessary reforms. After the initial stage of analysis and study on which it is engaged at present, it will start to take an active part, establishing directives for organizations, methods, personnel management, etc., in the whole administrative field.

In Mexico, the ministries, departments of State and other public bodies actually execute the plans within the terms authorized by their respective organic laws. There are no special bodies for plan implementation.

2. Level of financial decentralization (in terms of budget appropriations for development) established for plan implementation

The Federal Expenditure Budget really includes two types of budgets: the central Federal Government budget and the budget for the semi-public sub-sector; that is, the principal decentralized agencies and semi-public enterprises. Each of these bodies has, in fact, an independent budget, since it applies to the body's funds. The presentation and approval of both budgets, consolidated in a single final document, is merely for purposes of control and co-ordination. Each agency has its own resources, however, which do not accrue from Federal Government taxes (except where the Federal Government grants subsidies or authorizes transfers). After the expenditure budget of the Federal public sector has been approved by the Chamber of Deputies and published in the Diario Oficial, its execution is controlled by means of account cards and a calendar of payments. Each public body makes use of its appropriations through the issue of legal documents (appointment authorizations, payment orders, etc.).

All budget transactions are handled by the Office of the Comptroller-General in the form of accounts; they are first recorded under "budget accounts" proper and later in the Treasury balance-sheets.

The decentralized agencies and semi-public enterprises covered by the Federal Revenue Act must channel all incoming revenue, whatever its source, to the Federal Treasury.\textsuperscript{31}

Similarly, all bodies in the public sector must obtain the approval of the Office of the President and authorization from the Ministry of Finance and Public Credit before they can be given loans to finance public investment or sign letters of credit or other papers recording the commitments of public bodies.

\textsuperscript{31} Federal Revenue Act for the financial year 1968, Diario Oficial, 29 December 1967.
F. ADMINISTRATIVE PLANNING IN THE IMPLEMENTATION PHASE

1. Administrative planning

So far administrative planning has not gone hand in hand with economic and social planning. This statement must not, however, be taken too literally since the practice in the Mexican public administration system has been that, in the areas in which there has been planning (for example, agriculture, irrigation, public works, education and social security) the administrative machinery and procedures have always been adjusted to some extent to meet the purposes of the program concerned.

At present, while work is proceeding on economic and social planning, studies of plans and projects are being made with a view to making the changes in public administration required for plan implementation. A Public Administration Committee, responsible to the Executive and forming an integral part of the Office of the President, has been in existence for three years.

The Federal Government is aware of the importance of modernizing the public administration to make it more flexible and effective. Recently, in the statement referred to above, Mr. Emilio Martínez Manatou, said that:

... The Office of the President, acting upon its legal authority and upon instructions from the President of the Republic, has begun work to determine the most suitable structure for the public administration and the organizational changes that will have to be made to ensure improved co-ordination of its activities, to accelerate the economic and social development of the country, to introduce such modern techniques of administrative organization as may be appropriate to achieve this objective and to improve the training of government staff, all without prejudice to the legitimate interests of public servants, whose co-operation it relies upon to fulfil these aims.

He further said that:

... The research and studies undertaken have been described in a report which makes proposals for fundamental principles to govern the reform of the public administration and the machinery for implementing them. Their implementation is the responsibility of each and every agency in the public sector, and it is the duty of the Office of the President to promote and co-ordinate this endeavour.

The studies undertaken by the Public Administration Committee of the Mexican Government mainly consist of a detailed analysis of existing institutions and procedures. Studies have been made to determine their efficiency in relation to the programmes undertaken and to see whether they are suitable for the needs of economic and social development planning.

In the short time it has been in existence the Committee has not had time to analyse all the institutions and their respective procedures.

2. Steps in the establishment of new agencies and procedures

Whenever new agencies and procedures have to be created specific studies are made by the organs of the Executive directly concerned. These studies form part
of the project submitted to the Federal Executive which is then referred to the Public Administration Committee for its consideration and opinion.

When legislative action is required, it is normally initiated by the Executive — following the procedure outlined above — and is submitted to the legislative branch for its consideration and eventual approval. That is to say, the ruling principle is that the function gives rise to the new agency, and not the reverse.

The departments that have organization and methods units, or their equivalent use them to determine what steps are required to put new agencies or procedures into operation. Unfortunately, there are not yet a large enough number of these units or personnel to staff them, and this has frequently created administrative problems, particularly as regards a clear definition of limits of jurisdiction, organizational structure and procedures. The systems, procedures and operations of the Mexican public administration have, in fact, been established in an empirical fashion over a period of time with the result that, even in quite new agencies, there are frequent reorganizations at relatively short intervals.

One of the principal recommendations made in the studies by the Committee on Administrative Procedures is to set up in each department, mainly of the central public administration system, organization and methods units to be responsible both for preliminary studies and for putting new agencies and procedures into operation.

3. Training programmes for technical and management staff

With very few exceptions, provision has not been systematically made, for training programmes for technical and management staff. This shortcoming has been partly offset by the fact that care has always been taken to recruit technical and management staff from the universities and institutes of higher education in Mexico City and in most of the states of the Republic.

Moreover, since the public administration has been in existence uninterruptedly since the time of the Revolution, a class of public officials with technical and management ability has virtually been created and these officials remain in public administration, although not necessarily in the same organs of the Federal Government. Trained staff generally remain in government service for twelve to fifteen years or so.

The fact that a large number of decentralized agencies have been created has also helped to provide more and better employment for trained public officials and periodically every six years (at the time a new President of the Republic is elected) public officials move from the decentralized agencies to the regular organs of the Federal Government and vice versa.

However, as a result of the work of the Public Administration Committee, it is anticipated that training programmes will be established, in compliance with the obligation laid down in the Constitution and relevant act\textsuperscript{32} to make provision for courses in public administration.

\textsuperscript{32} Legal Statute for State employees, \textit{Diario Oficial}, 29 December 1962.
4. The planning process and the administrative facilities 
for its implementation

The planning process in the developing countries, of which Mexico is one, is 
still in its infancy; consequently there has not yet been either the time or the 
opportunity to link planning with the administrative facilities required for plan 
implementation, although as planning has moved forward, the necessary 
economic, financial and technical facilities have been borne in mind. It is 
thought that a process of natural evolution — spurred on by the directives 
resulting from the administrative reform — will oblige the public administration 
as a whole to create the necessary conditions for the implementation of the 
plans and programmes that are being put into operation on an ever-wider scale.

The current trend in the Mexican Government is to make provision for the 
creation of suitable administrative facilities during the actual planning process. 
Because of Mexico’s special situation, with respect to changes and the 
establishment of new methods, the following factors must be considered when 
determining whether the over-all plan is administratively feasible; the proper 
execution of the performance budget at the sectoral level, the organization and 
functioning of the agencies concerned, the human resources available, the legal 
regulations, and the specific systems of communication.

The Public Administration Committee has considered the need for a study of 
the administration, not by branches but by sectors of economic and social 
activity, in accordance with the public sector programme for the period 
1966-70. In addition, efforts have been made to initiate administrative planning 
in a number of the major ministries and agencies of the Federal Government (at 
the sectoral level with sectoral directives). This has not been done systematically 
as an integral part of a general administrative plan but only in isolated cases 
because of such diverse factors as the type of activity undertaken by the 
departments concerned, a decision by top-level officials, or public demand for 
better services.

According to Mr. Martínez Manatou, top priority in work on the 
administrative reform, which will cover all sectors, is at present being given to 
the agricultural sector with a view to improving the machinery for co-ordination 
so that immediate action can be taken to increase both the productivity and the 
income of the rural masses substantially.

Moreover, the Mexican Federal system precludes direct intervention by the 
Federal Government in the administration of the state governments because the 
states are constitutionally self-governing. In recent years in Mexico the 
governments of the states and some important municipalities have had a 
renaissance which has mainly shown itself in more rapid economic development 
combined with more intensive exploitation of regional resources.

A fair number of states have successfully launched substantial administrative 
reforms and some of them have given serious thought to the establishment of an 
administrative planning system which would be reasonably consonant with the 
requirements of economic progress.

In a country as vast as Mexico, which comprises thirty states, two territories, 
a federal district and about 140,000 localities, ranging from cities to ejidos
(villages with common land) and shanty-towns, regional and local administrative planning is a very long-term process.

5. Participation by various agencies in the administrative planning process

Ministries and other important agencies of the Federal Government really do participate in the administrative planning process in Mexico.

It is hoped that: each ministry and department of State will set up an organization and methods unit which will, *inter alia*, study, plan and analyse the administrative activity of the particular organ concerned; each ministry and department of State will list and codify the regulations currently governing their operations on the basis of the studies undertaken, each department will review the regulations which determine its organic structure and govern its activity, in order to achieve optimum results; and, lastly, one of the functions of the organization and methods units should be to formulate and keep up to date the administrative instruments appropriate to the technologies used in their respective departments.

It is hoped that regional and local governments will play an increasing part although they cannot do so on the same scale as the agencies referred to above because of their limited economic and technical resources.

Participation by the private sector in the administrative planning process has greatly increased in recent years owing to the growing awareness of the fact that public administration is not just of interest to public officials and employees but affects society as a whole. There is also another factor which has had a notable influence on the participation of the private sector, namely, the organization of the sector into chambers, associations, confederations and the like, which group together sectoral branches and thus give greater consistency to requests by the public for a more efficient and economical public administration. It is thought that by giving priority in administrative reform to those agencies which have the greatest contact with the public, technical co-operation will be greater with information and training being provided through teaching activities.

As a result of the studies undertaken by the Public Administration Committee in the Office of the President, it was thought advisable to investigate the systems, procedures and operations of the Mexican public administration at the macro-administrative level (i.e., relating to two or more organs of the Executive).

Ministries, important agencies and semi-autonomous institutions of the Federal Government are now required to prepare their administrative programmes on the basis of an analysis of systems, procedures and operations as the first step towards participation in overall administrative planning. As this requirement is related to the level reached by these agencies within the economic and social planning process, the extent of their participation in planning as a whole is very uneven.

Owing to the limitations laid down in the Constitution of the Republic, regional and local governments are not required to prepare detailed administrative programmes, since these regional and local authorities cannot be included
in over-all administrative planning because it is laid down in the Constitution that they are by nature "free and sovereign".

No legal procedure has yet been worked out to cover administrative feasibility studies as a prerequisite for project formulation. Mexico is now at the stage of requiring administrative feasibility studies to be carried out before certain large State-sponsored industrial projects can be approved. The technique which it is hoped will serve as a basis for regulating these studies is performance budgeting, which is still in its very early stages.

There are no central administrative agencies in Mexico for staff planning or organization and methods planning. The Public Administration Committee is aware of this deficiency and has recommended that such agencies should be established.

G. CONVERSION OF THE PLAN INTO OPERATIONAL PROGRAMMES

1. The annual operational plan

The 1966-1970 National Economic and Social Development Plan is the frame of reference for the formulation of the annual operational plans. A Programming Committee was established recently (at the director and deputy director level) to prepare annual investment plans, with the co-operation of the Office of the President and the Ministry of Finance and Public Credit. The Committee must see that public investment expenditure is channelled along the lines established in the 1966-1970 Public Sector Programme, which is an annex to the Economic and Social Development Plan for that period.

Formal machinery exists for the co-ordination of plans and public budgets. The decree approving the Expenditure Budget for 1967 and 1968 establishes the Federal Executive's obligation to allocate regular income in excess of the approved budget revenue to the investment plan of the Office of the President.\(^{33}\)

The Programming Committee, which is concerned with the preparation of annual plans, establishes the order of priority for investment in accordance with the over-all development targets, the available fiscal resources and domestic and external credit. The Committee has frequent meetings with the Principal Secretary of the Office of the President and the Minister of Finance, in order to inform them of its views on development and target fulfilment, to exchange ideas and to suggest procedures for the application of economic policy instruments.

In practice, the annual plan is confined to the public sector, as it is the only sector for which there are specific directives in the national development plan. Private enterprise is promoted by indicative measures (tariff protection, provision of credit, fiscal incentives, infrastructure works, etc.) and direct and indirect indicators are used to determine how much the private sector has done to achieve the targets assigned to it in the national development plan.

Annual plans are not subject to any formal procedure for obtaining approval. The Programming Committee for the Public Sector in the Office of the President formulates the annual investment plans, submits them to the President for his consideration and incorporates them in the Expenditure Budget, thereby committing the Executive to carrying them out.

2. Characteristics of the formulation and implementation of annual plans

In itself, the annual plan is without legal force, since no formal legal provision has been made for it. The Office of the President and the Ministry of Finance and Public Credit merely report to the President on the nature, scope and importance of the plans, and he dictates the economic provisions for implementation of the public sector plan through the various ministries. In practice, the annual plan and the specific development programmes come into effect when they are incorporated in the Federal Expenditure Budget.

The 1966-1970 National Economic and Social Development Plan has been described as the frame of reference for the preparation of annual plans and programmes. In effect, a number of over-all development targets were established in that Plan for population, the product, consumption, investment, imports and exports, the balance of payments, investment financing, manpower needs and the growth of demand.

The ministries and departments of State, decentralized agencies and semi-public enterprises formulated specific programmes which were detailed in the annex entitled "1966-1970 Public Sector Programme". In this programme it was established that the gross fixed investment needs for the Federal public sector would amount to 95,000 million pesos in the five years covered, and that this investment would act as a powerful incentive to the private sector. Paragraph 18 of the National Plan states that:

... The more favourable prospects for over-all demand deriving from the growth of public investment and from the general development policies established in the Plan, together with the sectoral targets, will strengthen and promote the necessary decisions in the private sector in order to ensure the desired expansion of its own investment and its channelling into high-priority national activities. In the period 1966-70 the private sector, including private construction, should make cumulative gross fixed investment of 180,000 million pesos, compared with 151,000 million pesos in the period 1960-65. If private investment fails to reach that level, the public sector will take appropriate compensatory measures to meet development requirements.

Annual operational plans are implemented by the various public sector bodies. The Office of the President and the Ministry of Finance and Public Credit are directly responsible for the control of their authorization, by means of prior approval, financial permits and verification of project execution. These plans are indirectly controlled through such means as mixed supervisory committees, the provision of information, etc.

Plan priorities are fixed on the basis of short-term trends, the behaviour pattern of private investment and political opinion. Simultaneous investment-
financing programmes for the whole public sector will facilitate the establishment of priorities.

Until very recently, budgets were administered almost independently of planning. Various administrative and legal modifications have therefore been made in the budget system in order to incorporate a rational planning process. Additional measures will no doubt be necessary to ensure that the two processes are more effectively combined.

H. EVALUATION OF PLANS AND PROGRAMMES

The organization and procedures needed for constant and prompt control of the different phases of plan implementation exist only in a piecemeal form at the higher levels, since the executing public agencies are themselves responsible for the continuity and timeliness of plan implementation and therefore for actual implementation control.

However, the Government does not adopt a passive attitude in the face of this situation. As publicly stated on several occasions, provisions have been adopted to ensure continuity and promptitude in the control of public investment expenditure: these are the Investment-Financing Programme, which as Mr. Martínez Manatou, Principal Secretary of the Office of the President, has explained, consists of a co-ordinated analysis of the investments proposed by the public bodies and the resources for carrying them out so that the best possible use is made of the financial resources available in relation to the programmed investments, which makes for prompt compliance, continuity and economy in the projects concerned.

In the same statement, Mr. Martínez Manatou further pointed out that:

... As a result of the Investment-Financing Programme, another important step was taken in 1967 with the analysis of the investment programmes. Even when projected over a longer period the only investments authorized are those which feasibly can be effected each year, in accordance with the capacity of the public bodies concerned. This avoids delays in the execution of works which, for want of projects, economic studies, or efforts to obtain financing, may have to be carried out after the year in which they are approved thereby limiting the effects of public investment on the country’s economy and making it impossible to obtain the benefits originally envisaged. By improving investment planning systems and making more comprehensive studies, it was possible to have an exact idea of the sums that would be available for such projects.

Hence, in 1967, it was decided to cancel any authorizations which had not been taken up, and to grant new ones, selecting projects and arranging them in order of priority so that the programmes should be carried out exactly as planned. Investment programmes are thus becoming increasingly effective as an instrument of economic policy, since they ensure that the work is always executed promptly and that the proper background studies, projects and financing are available.

Mexico has no central body for controlling the development of the general plan. Functions of this kind are distributed among the Ministry of Finance and Public Credit, the Office of the President and the Ministry of National Wealth.

The Ministry of National Wealth, in accordance with the powers attributed to it under article 7 of the Act on ministries and departments of State and the
Act for Federal Government control of decentralized agencies and semi-public enterprises, is responsible for supervising and controlling the state agencies and enterprises so that they operate efficiently, in line with sound administrative practices, and are integrated with the national economic development programmes. The Ministry is also empowered to review the internal accounting, control and auditing procedures of those bodies through external auditors.

The existence of several control bodies with the same administrative structure and occasionally the same functions makes control difficult. Hence, one of the conditions for effective control is the establishment of proper co-ordination among these bodies by overcoming out-dated practices deriving from the persistence of administrative and financial “fiefs” at the top level of government activity.\textsuperscript{34}

The administrative and accounting control of public expenditure is a function of the Federal Office of the Comptroller-General, a subsidiary organ of the Ministry of Finance and Public Credit. This Office handles all the reports and documents testifying to the accuracy of the disbursements made in accordance with budget authorizations. There is still no mechanism for co-ordinating budget accounting control with the economic evaluation of plan implementation by planning bodies – particularly the Office of the President.

Nevertheless, a system of \textit{a posteriori} legislative control combining the two elements of checking of the account and economic evaluation has gradually been perfected. It consists in the analysis of the Treasury accounts made annually by the Chamber of Deputies, in accordance with the provisions of the Constitution. While the analysis formerly undertaken by the legislators aimed only at ensuring that disbursements were in accordance with authorized expenditure, an evaluation is now made in terms of the objectives laid down in the development plans.

The Office of the President exercises annual supervision on a permanent basis. The first phase begins with the preparation of the general Federal Government public expenditure and investment plan, when the investment programmes of the various public bodies are co-ordinated. Continuous control is exercised during the development and execution of plans by the Department for the General Public Expenditure Plan and the Investment and Control Department.

The Office of the President is exploring the possibility of improving public expenditure planning through the introduction of performance budgeting, a method whereby budget estimates are based on programmes, sub-programmes and activities, including the following elements: specification of targets; estimation of resources required for attaining them; determination of costs; determination of productivity and efficiency indexes for public action; evaluation of the annual progress made by the development programme; adaptation of targets and available resources; and integration of the relevant financing. This technique makes it easier to determine how far the economic and social development objectives established by the State are fulfilled and in what period of time.

\textsuperscript{34} Alvaro Rodríguez Reyes, “Coordinación y control del sector público descentralizado”, \textit{Comercio Exterior}, January 1966, p. 15.
The Ministry of Finance and Public Credit exercises control in several ways: through its participation in the Inter-ministerial and Programming Committees; when decentralized agencies and semi-public enterprises negotiate loans (the Ministry's authorization is indispensable); when the Executive borrows from public funds (with the approval by the Chamber of Deputies); and, on a continuing basis, during the period covered by authorizations and payment orders in favour of public bodies.

The Federal Office of the Comptroller-General first audits the accounts of the Federal budget, the Federal District Department and the National Lottery, so that the Executive can present the accounts relating to the public funds to Congress. In practice, the Board of Auditors of the Treasury Accounts, the supreme accounting authority and a subsidiary of the Chamber of Deputies, merely reviews the accounts that have previously been commented by the Federal Office of the Comptroller-General.\(^3^5\)

The Ministry of National Wealth takes part in the process on a continuing basis through external auditors and technical inspection for decentralized agencies and semi-public enterprises.\(^3^6\) Except for external audits, which are guaranteed to provide timely information since whenever an irregularity occurs the external auditor is in a position to report, the controls established do not provide reports quickly enough to permit the plans to be promptly adjusted.

Moreover, Mexico does not have any systems for compiling statistical data that are equipped to obtain sufficient direct information to assess the efficiency of plan implementation immediately. The Ministry of Industry and Trade is legally responsible for maintaining general statistics for the country.\(^3^7\) It performs this task through its Statistical Office, which periodically publishes a mass of economic and social information, e.g., basic economic indicators, statistical yearbooks and periodical censuses of population, agriculture, etc., for a particular geographical area.

In addition, all public bodies prepare annual statistical reports on their operations. There are also national organizations which provide statistical information on the various sectors of the economy. These include the Banco Nacional de Comercio Exterior, the Banco de México, and Nacional Financiera. The methods used by these bodies are not always compatible as regards technical criteria for the systematization of data. Each body prepares its own yearbooks and periodical reports, often on their own lines, which sometimes gives rise to confusion in the appraisals.

In the summary and results of the seminar held at the National School of Economics of the Universidad Nacional Autónoma de México in April 1965, it was stated that one of the main obstacles to the achievement of an effective

\(^3^5\) Mauricio Carril, Ifigenia M. de Navarrete and Ricardo Torres Gaitá, "Bases para la planeación económica y social de México". Resumen y Resultados del Seminario, Universidad Nacional Autónoma de México, Escuela Nacional de Economía (April 1965), p. 9.

\(^3^6\) Act on Federal Government control of decentralized agencies and semi-public enterprises, article 5.

\(^3^7\) Act on ministries and departments of State (December 1958), article XIII.
system of economic planning in Mexico is precisely the poor quality of the information and statistics. National statistics are often treated as confidential, whereas foreign research workers have all kinds of facilities in this respect, and the publication of national research findings suffers as a result.  

While no analysis is undertaken with the sole object of determining results in terms of the plan, there are plenty of statistical data on the progress made by the economic activities of the Federal public sector and private enterprise in all areas.  

The corrections introduced into plans are the result of over-all appraisals of the progress of the economy and not of detailed analyses of variants.

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38 “Bases para la planeación económica y social de México”, op. cit.
PLAN OF ACTION FOR THE REFORM
OF THE PERUVIAN PUBLIC ADMINISTRATION

By the National Office for Rationalization and Training
in Public Administration (ONRAP)*

INTRODUCTION

1. The age of administration

Some sociologists have called our age — with good reason — the “age of administration”. Centralization and team work are becoming necessary in all fields — in industry, commerce, agriculture, medicine, the dissemination of news, and even in education. The enterprise is one of the most characteristic features of our times in production and business. The examples of this are innumerable, and the consequences manifold — and so obvious that there is no need to go into them here. All that needs to be added is that the modern State is no exception to the rule, and that its services to the community — which have grown considerably during the past half century — have transformed it and made its organs, procedures and functions highly administrative in character.

There is another, parallel, phenomenon which has rapidly gained in importance in our day and age, namely planning. Planning has become part and parcel of the operations of the large industrial and commercial enterprises, and it has also become something that no country, let alone those which are economically under-developed, can afford to do without. This supports what was said by the Institute of Public Administration (IPA) of New York in a study of the public administration in Peru, to the effect that over-all planning is today a new enterprise and a new responsibility of government, especially in those countries which have decided to speed up balanced development.

But a national plan is worth little — as the IPA study points out — if there is no government machinery which is well enough prepared to formulate the plans, or powerful enough to implement them. With every day that passes, it becomes more urgently necessary to ensure that the powers given to the State to promote economic development and to channel development resources are exercised effectively, particularly when a considerable effort is required just to maintain the levels already attained. Development sometimes comes up against administrative structures and systems that are antiquated or inappropriate and do not measure up to the characteristics and needs of present-day problems. The public

* Document ST/ECLA/Conf.30/L.20

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administration has to bring its structures and its methods up to date. While there is a need for action, administrative action requires, as an essential prerequisite, order in its objectives, i.e., planning, and order in its working instruments, i.e., organization.

In various studies undertaken by such technical commissions of the United Nations as the Economic Commission for Latin America, these difficulties have been described and some solutions have been proposed. One of the problems is how to harmonize objectives that the public and the private sectors tend to pursue separately; and the basic instrument for the co-ordination of the efforts that can and must be made to promote development — recognized as such by specialists and politicians alike — is public administration.

Various reports indicate that there is frequently a lack of effective co-ordination between planning agencies and executing agencies, between rational targets and the investments actually made, between what is done by the public sector and what by the private sector. There is a lack of consistency, to a greater or lesser extent, between the purposes behind some decrees and the plans in which they are embodied, and in turn between the plans and their implementation. A document published by the former Peruvian Institute of Public Administration pointed out that planning did not occur only when appropriate planning bodies were established. Implementation automatically presupposes planning, and it is essential for there to be rules and the habit of planning. Planning units must have the proper machinery and must be interlinked, not only with each other but with the executing agencies as well. According to the above-mentioned document public administration must be a combination of mutually compatible elements, and must not be left to a set of disparities groups which — to paraphrase our Lord’s pious injunction — manage not to let their left hands know what their right hands are doing.

2. New responsibilities of the public administration

Development, according to an ECLA report, is frequently hampered by problems of an administrative character and by structures and legislation which correspond to historical and legal circumstances which have now disappeared. Some institutions are unco-ordinated, partly because they originated in countries at different stages of development or with very different social and legal systems. Others have become superimposed as a result of laws and decrees promulgated at different times which only partially rescinded the previous legislation. This creates an intricate maze of regulations through which only a few experienced specialists can find their way; this helps to form real professional monopolies and, in the final analysis, makes it more difficult for the public to know the law. The ECLA report goes on to say that it is not surprising that this intricate mass of legislation is matched by a complicated structure of public administration, in which the same function is assigned to various departments, and in which work already done and forgotten because of the lack of records, or work being done at the same time by other agencies is duplicated. The administration has lost law suits because it could not produce the necessary files, yet it holds on to tons of unnecessary paper — and this is just one of the main symptoms. Again according
to this report in the public administration, which has been given so many powers and responsibilities in recent decades, there has been a proliferation of organs without a corresponding increase in efficiency, and compares very unfavourably with private industry. Because of the slow pace at which the administration proceeds, a number of autonomous institutions have sprung up which are not all efficient and would certainly justify control of their finances. These and similar charges are levelled daily at the public sector in nearly every country. While it would be wrong to say that administrative defects are confined to government, they do show that lack of organization is a serious and widespread problem.

This problem of the lack of organization arises at a time when the Latin American countries need to carry out urgent reforms and when the responsibilities of the public administration for the well-being of the nation have increased. These responsibilities are essential and the activities of the public administration must be directly related to the needs of society. A modern State must be more than the repository of law and authority, a framework of legal limits and conditions within which positive and effective efforts to promote the well-being of the country are left almost entirely to private citizens.

The role of the statesman, of the public administrator, is not to avoid or ignore the needs of everyday life, but to face the new realities and to take on the new responsibilities. The problem is one of efficiency, as are all problems in the government sector. It presupposes a division of labour and a complex machinery — as complex and varied as the objectives that have to be achieved, so that each service is immediately provided by the appropriate agency. It presupposes modernization, and therefore remedying the inherent technical shortcomings of the political organs, which are due to the way they have grown up, by putting professionals into posts which require really professional knowledge, skill and expertise, in view of the technical nature of the functions of the modern State.

Nevertheless, the formulation of plans and their final adoption must fit into the democratic process and, in the final analysis, the adoption of a national plan constitutes a political decision of clear-cut importance. Hence it is best to avoid extremes: i.e., that of planning being formulated outside the democratic process, or that of political leaders trying to direct planning without the technical advice they must have. The solution, as the IPA study points out, is to recognize the primacy of policy with respect to fundamental values and standards and the compromises that have to be made between the different interests of a society, while establishing at the same time a system within which a permanent staff of highly qualified technicians can carry on the basic research and planning work and then submit the main options to the country through the political leadership for a final decision.

3. The strategic nature of development

Public administration, in any case, has an importance and a role of its own which are questioned by only a very few. In addition to what it represents in terms of efficiency, objectivity and technical skill, all countries recognize that the administration promotes unity, in the face of the divisiveness of political
factors, and continuity, in contrast to the often over-frequent changes in the top ranks of government, which occur as a result of political vicissitudes, particularly in countries where the constitutional régimes encourage successive Cabinet crises. The most common example of this is France during the Third and Fourth Republics, when, despite relative political anarchy, the administration was practically unaffected by ministerial changes; it kept the flame of the enduring State burning, and ensured that the less important interplay of political parties and individual interests did not cause more serious damage to the country. Similar examples can be found in the countries of Latin America, which have so often been shaken by political crises and fluctuating between constitutional government and dictatorship, often without the man in the street being aware of any fundamental change or interruption in the progress of public affairs because, thanks to the administration, he has been able to disregard the practical consequences of such national upheavals, as the essential role of the State and its basic functions continued without undue interruption.

With respect to the influence of the administration on the success or failure of national development, it is worth looking at the specialists' view of public administration as a strategic factor in development. Not that this should be taken as implying that it is the basic factor, or the only important factor, since it is only one of a number of factors that are involved in development; but it is strategic in the sense that it influences and determines the success or failure of all development plans. Hence it can be concluded that, as a report from Ecuador points out, a development policy that aims at economic progress, at improving living conditions and promoting human dignity, must always go hand in hand with an administrative policy that makes it possible to achieve these aims. Moreover, the report adds, there is a very close relationship between the economic progress of a nation and the level of efficiency of its public administration, since the administration is one of the important means of co-ordinating efforts to promote development. If the planning process is to be effective, the report continues, the economic and social development projects submitted for approval must be accompanied by plans for administrative reform, re-organization of the government, training for the public service, and fiscal control. In other words, the success of the most promising plans will be seriously jeopardized if the administrative structure cannot fully meet its obligations under the plans.

4. The phases of reform

An illustration of what an action plan for the much-needed sweeping reform of the public administration should be, can be found in annex III to the report of the Meeting of Experts on the United Nations Programme in Public Administration, issued in 1967. The points made in this report have been used as a guide in preparing this plan of action. The outline given below shows the importance that the United Nations experts attach to the role of public administration. According to the report, there are four phases in any programme

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1 Document E/4296 - ST/TAO/M/38.
intended to introduce administrative reform: (1) the preliminary or reconnaissance survey, with two purposes: identifying first the critical problems, selecting the methods to be used and formulating the terms of reference of the proposed programme, and secondly, indicating the nature and amount of resources, including technical assistance, likely to be required; (2) the collection and analysis of information on pertinent problems and the formulation of remedial actions; (3) approval of the reform measures by the national authorities and the setting up of a time-table for their implementation; (4) the actual implementation of the accepted recommendations, including removal of difficulties which may emerge in the process of modifying the existing system.

This report, which was prepared in January 1967 and submitted to the Economic and Social Council as a background document for the formulation of a work programme in the field of public administration, is in itself a demonstration of the interest the United Nations is showing in the administrative problems of the public sector. This was expressed by U Thant, the Secretary-General of the United Nations, in his note transmitting the report to the Economic and Social Council, in the following words:

"The findings of this outstanding group of experts confirm the view expressed in past resolutions of the Council and the General Assembly that sound public administration is essential for nation building and for economic and social development."

A. REFORM AND THE PERUVIAN PUBLIC ADMINISTRATION

Two years ago, ONRAP released the draft of a comprehensive preliminary appraisal of the Peruvian public administration, with proposals for reform, which confirms that the general observations made above apply to Peru. The study is to some extent supplemented by other ONRAP studies on, for example, the Institutionalization of the public treasury in Peru and criteria and proposals for the reform of the Office of the Comptroller-General of the Republic. In addition, the analytical work done and the conclusions reached by the technical staff of ONRAP in connexion with the development of the programmes which have been applied have made it possible to expand the study and identify in more detail the approaches that are generally applicable to education, agriculture, transport, and the Callao Public Works Board, etc. Furthermore, the fundamental problems of administrative reform and its basic legal aspects have been set forth in the draft of the basic law for the public administration (Anteproyecto de ley de bases de la administración pública) which ONRAP submitted to the President of the Republic and the Prime Minister.

It may be useful to look at some of the main comments made in these studies, which are summarized below.

1. Lack of a regulatory framework

There is no over-all scheme of institutional regulations. There is a need for legal, structural and methodological reform. There are no standards and
definitions governing each type of institution; a basic law would provide a frame of reference for all public institutions.

2. Classification of legislation

Peru has no constitutional theory setting out the relative order of importance of legislation. ONRAP has drawn attention to the need for a pyramid of legislation, with the Constitution at its apex, followed by the basic laws governing the branches of State, then ordinary laws, and lastly regulations and other administrative provisions. For each category of legislation there would be different procedures and a different quorum for adoption so that legislation at a given level of the pyramid could be modified only by legislation at the same level.

3. Structural unity of the Executive

The need to strengthen the executive branch, in the first place by ensuring its structural unity as the basic foundation for and guarantee of the unity of the administration, has been put forward as one of the first priorities in administrative reform. This goes hand in hand with the need to reduce interferences due to party politics, since, as is pointed out in the preliminary appraisal, the public administration can only make lasting progress in a democratic climate, with a stable government, constant official support and a highly developed sense of responsibility.

From another standpoint, such structural unity should be made compatible with the distribution of functions and decision-making authority, and with the delegation of authority to subsidiary or autonomous bodies. In the explanatory introduction to the draft basic law, it is pointed out that the structure of the administration must be disaggregated and decentralized so that, while maintaining its unity and ensuring the necessary co-ordination, it will be conducive to the greatest efficiency in carrying out administrative tasks.

The basic theory is formulated in article 5 of the draft of the basic law in the following terms: “The unity of the public administration is guaranteed by the unity of the State itself, by the chain of authority that links its system of organs and powers, by the co-ordination of the policies and plans of the various sectors, and by the system of laws that governs every administrative action, which by their unity, make the whole system more coherent.

4. The President of the Council of Ministers

With the above ideas in mind, ONRAP thought it advisable, when drafting the basic law, to clarify the very imprecise and inadequate provisions of the Constitution relating to the Prime Minister. In accordance with his functions under the Constitution, the principal responsibility of the Prime Minister is the co-ordination of relations between the legislative and the executive branches; but
he has more than merely delegated or symbolic powers, he has autonomous authority consonant with the varied nature of the powers inherent in his position, which place him at the head of a political and administrative chain of command with an enormous number of direct responsibilities.

These powers and functions can be summarized as follows: the Prime Minister is responsible under the Constitution for co-ordinating relations between the legislative and the executive branches, and he is the spokesman of the government on its general policy in the Congress. He represents the executive branch in debates in the Senate and the Chamber of Deputies. He convenes regular and special meetings of the Council of Ministers and takes the Chairs at Cabinet meetings in the absence of the President of the Republic. He countersigns the decisions of the President when specifically required to do so under the Constitution and when Cabinet decisions affect more than one Ministry. In consultation with the President, he deals with matters of general government policy. He attends the Chamber of Deputies and the Senate when he takes up his functions and whenever he deems it necessary, and also when he is requested to do so by Congress or by one of the legislative branches. In such cases he may attend alone, or be accompanied by one or more Ministers, or by the full Council, in accordance with articles 167 and 168 of the Constitution. A vote of censure on the Prime Minister automatically entails the resignation of the whole Cabinet.

5. Regulatory power

Again with a view to strengthening the executive branch and ensuring the unity of its structure and its activities, ONRAP considers that the wording of article 154 (8) of the Constitution is not restrictive enough and that what constitutes regulatory power should be expanded and clarified. The nature of this power is distorted if it is viewed only in so far as it affects the law and not in its own context. The very principle of the separation of powers means that there can be no external decisions on matters within the purview of the executive branch. Regulations are subordinate to the law in matters of law, but the legislative branch must refrain from enacting laws which may interfere with the powers of the Executive.

It would be advisable for future legislation relating to the Constitution to establish clearly what constitutes matters which fall exclusively within the scope of regulations. The explanatory introduction to the draft of the basic law refers to French constitutional theory, according to which there are some matters that are inherently regulatory in nature; indeed, all matters other than those relating to the scope of the law are regulatory in nature, and legislation relating to such matters may be amended by decrees issued with the concurrence of the Council of State (article 37 of the 1958 Constitution).

6. The sectors

In both the preliminary appraisal and the other studies undertaken by ONRAP, two major organizational divisions have been identified, namely
activities sector and the administrative systems sector, which, when established and clearly defined, should help to strengthen the public administration and make it effective and coherent.

The executive branch requires an organization which matches its activities. It is not enough for there to be bodies which administer the law; these bodies must have their place in the chain of authority in accordance with their relative importance within the establishment as a whole. Nowadays, government policy is most effective when priorities are laid down for objectives in each sector of activity.

If it is to be organized rationally and in a suitable way, the government activities sector must be organized as an administrative whole. However, the unity of the sector must be compatible with the existence of many public bodies which are concerned in varying degrees in carrying out the tasks for which they were established. Nevertheless, the function of government is inseparable from the political principles underlying it, and these principles must extend to the whole sector. The basic law will determine the number and type of the sectors to be established within the national administration.

In article 33 of the draft of the basic law submitted by ONRAP, functional branches are grouped in sectors and then the functions of each sector are described. The article provides that the central institution of each sector is the ministry. This is important because one of the principles of administrative reform is that it is each minister's primary responsibility to manage his sector of activity, whatever the scope of his authority and responsibilities in applying government policy.

Consequently, the minister has a dual function: he directs the policy of the sector, and he runs his ministry. In the former case, he lays down the policy to be followed by all the components of the sector; in the latter, he exercises authority over and is responsible for the activities of the ministry and the other public bodies in so far as they are directly responsible to him administratively. His political authority and responsibility cannot be delegated but his administrative authority can be. This distinction will be important when the functions and responsibilities of each minister are defined.

In principle, the minister should be able to spend most of his time directing his sector and formulating sectoral policy, and he should not neglect these functions in favour of administrative work which he can delegate to others. The minister's responsibility, however, can never be delegated, and therefore he must always remain responsible for any authority that he delegates. The political authority and responsibility of the minister in respect of all the components of the sector is indivisible, but it must be noted that the objectives of some of the bodies are inter-sectoral in scope where the activities of two or more sectors are involved. In such cases it is not for one minister alone to decide how the bodies concerned should proceed, and there may be various alternative courses of action.

In these cases, ONRAP proposes that the ministers having direct authority over each of the sectors concerned should determine government policy. The establishment of inter-ministerial commissions - which ONRAP has also suggested - will in many cases help to solve this problem. It should be added that, besides the bodies governing the sector and the executing agencies, there
Figure 1

**MINISTERS**

**PRIVATE SECTOR**

**SECTOR OF STATE ACTIVITY**

**PRODUCTS: GOODS AND SERVICES**

**NOTES:** This figure represents the "input-output ratio" which defines public activities. On the left are the administrative systems, combined in a new Ministry of Finance and Systems, in line with the proposal set forth in the present plan of action. The sectors of state activity are shown in the centre; the number and the names of these activities are the same as in the plan. The top part of the block indicates approximately what proportion of each group of services is supplied by the public sector and the private sector respectively.
are also consultative, planning and auxiliary bodies. Both the consultative and the planning bodies are sectoral in scope, i.e., they are linked to all the other bodies in the sector, while the auxiliary bodies are only institutional in scope, i.e., they serve each of the government bodies.

7. The administrative systems

Administrative systems must be suitably organized in order to make it easier to obtain inputs for public activities. An administrative system can be defined as the special activity of each of the institutions in the public sector, whatever their composition, scope or functions. Public activity, just like any other dynamic activity, is defined, in the final analysis, in terms of an input-output ratio.

The administration requires a varied collection of inputs in order to provide the community with goods and services: some are physical inputs, for example personal financial services, merchandise and capital goods; others are non-physical for example, the adoption of legislation, plans of action and methods of work, organization and supervision to ensure that the physical resources are put to the best use.

Administrative systems affect both central and local government authorities and independent public bodies, both public agencies and public enterprises, both those which provide general government services and those which provide social or economic services. The administrative systems studied by ONRAP which could be established at an institutional level within the public administration of Peru are the following: finance, personnel, supply, planning and rationalization, to which should be added legal and administrative affairs, communications and information, and statistics, which ONRAP is currently studying. These systems have the following characteristics:

(a) They represent the administrative inputs which are common to the whole government sector thanks to which it can produce its specialized products. Hence, in order to raise educational or health levels, or improve agricultural productivity or the transportation system, for example, the ministries or institutions in each of the various branches have to programme their activities, plan, formulate and administer their budgets, provide personnel administration, obtain the necessary supplies, keep proper accounts and rationalize their organization and procedures;

(b) Their functions must be laid down in an organic law, which is a more permanent piece of legislation than particular laws that define the functions of a single institution or regulate the preparation of the annual budget;

(c) They are controlled from a central office which formulates the procedures to be applied by the offices responsible for administering each system in each institution. This means that the central planning, personnel and budget offices are the key institutions in the administration of government inputs;

(d) In each public institution they constitute either an auxiliary body under the control of a general office of administration or an advisory body. There must be, therefore, one such office for each public institution, divided into sections or offices dealing with the budget, personnel, supplies, etc.
There must also be organization and methods offices and internal planning offices to advise the executive head of the institution, and also sectoral and regional planning offices in the corresponding institutions.

This division at the institutional level into auxiliary and advisory bodies, on the one hand, and substantive bodies on the other, precisely reflects the distinction between the notions of "input" and "product", or between the "means" and the "ends" of a public body. The auxiliary and advisory organs in which administrative systems are located, help to provide the physical and other means which the substantive bodies need to produce the goods and services required by the community.

This input-output ratio clearly shows the political and structural difference between sectors and systems. While the production of goods and services by the economic and social sectors is intrinsically political in nature, and is determined, in terms of both quality and quantity, by the political platform of the government, the administrative inputs which make this production feasible must be politically neutral, i.e., their quantity must be determined before any party platform is adopted and their quality must be constant over time within over-all government policy.

Some comments are given below on each of these administrative systems.

(a) \textit{The financial system}

The financial system in Peru is characterized by a lack of systematic and coherent legislation. This contrasts with the plethora of laws, decrees and regulations — generally enacted to meet specific situations and particular needs — which have been superimposed one upon another without forming a general system of interconnected principles to which financial legislation can be related. The system has serious institutional, operational and procedural defects, and no attempt has yet been made to give it a complete and systematic overhaul.

Despite the many partial attempts to rectify or improve specific aspects, so far no overall picture has emerged of all the problems involved in financial administration. This is a consequence of the fragmentation of financial responsibility between the many institutions connected with one or more of these aspects, and of the differences in philosophy and authority between various institutions. The problem has to be tackled in its entirety by rationalizing the financial system and reorganizing the institutions that operate it.

The basic reforms for the financial system suggested in the ONRAP draft of the basic law involve not only transferring functions at present exercised by other public bodies directly related to the financial system, such as the Office of the Comptroller-General (pre-auditing and accounting), the National Bank (treasury) and the Inspectorate of Banks (control of financial institutions), but also transferring extra financial activities (trade and ports) from Ministry of Finance to the appropriate ministries. So that these functions can be redistributed systematically without affecting the operation of the ministries involved in the reform, the draft of the basic law proposes an all-embracing scheme of redistribution and calls for the immediate enactment of the new specific laws which will regulate the new activities of each of the ministries. This is why the draft of the
basic law was submitted together with the bills relating to the new Ministry of Finance, the new National Bank, the new Office of the Comptroller-General and the new Ministries of Industry and Trade and of Transport and Communications.

The gist of the relevant provisions in the draft of the basic law is as follows:

Article 51. The National Budget Office is responsible for planning, formulating, publishing, administering and controlling the operational budget of the Republic.

Article 52. The Central Accounting Office is responsible for collecting information relating to budgetary transactions and variations in the capital resources of the Central Government and for requesting periodic reports from the other public bodies which are not part of the Central Government, on the basis of which it consolidates the budgetary and capital resources accounts of the public sector of the nation.

Article 55. In accordance with the constitutional provisions currently in force, the Office of the Comptroller-General of the Republic exercises external control over the public sector of the nation. For this purpose its jurisdiction is independent of the three branches of the State, and it maintains with them whatever relations are laid down in the relevant institutional law. The Office of the Comptroller-General of the Republic audits the accounts relating to the activities undertaken by the institutions comprising the public sector of the nation; and it issues administrative decisions establishing whether or not members of the administration bear financial responsibility for their official acts.

Article 58. In accordance with article 13 of the Constitution, the Inspectorate of Banks is responsible for supervising banking institutions — for example, commercial banks, savings banks, insurance companies, development banks and the National Bank — and for auditing their accounts.

Article 59. The National Bank acts as banker for the public sector of the nation. As such it: (1) is the depository for all public funds; (2) pays cheques drawn on its various accounts by the Ministry of Finance in favour of the creditors of the Central Government, and cheques issued by other public bodies in favour of their creditors; (3) acts as financial agent for the Central Government, and for other public bodies at their request; (4) grants credits to public bodies within the limits of its financial capacity and in accordance with the regulations of the banking system.

Article 60. The national - issuing institution referred to in article 12 of the Constitution is the Banco Central de Reserva del Peru, which is responsible also — on the basis of appropriate financial and economic policies — for ensuring monetary stability and the existence of credit and exchange conditions that will promote the orderly development of the national economy. Its main tasks also include the regulation of the volume of bank credit and the administration of the official foreign reserves of the country.

(b) The personnel system

Public administration in Peru has always been a matter of laws and regulations, and there has been no attempt to make a study of the human element and motivate people to seek a real career in the public service. The main problem is the lack of any training to prepare personnel for the civil service,
since the public administration neither organizes nor requires such training, and no provision is made for it in the national educational system. Moreover, the Civil Service Authority has no personnel office of its own, and yet it has been said with good reason that the absence of capable personnel or failure to use them properly in the public administration may become one of the most serious impediments to the improvement of administrative efficiency and the development of the country in general.

This does not mean, however, that Peru has no capable trained public servants, or that the quality of their work cannot be improved; but it does mean that the present system makes it difficult to assess the value of personnel, and restricts training opportunities, which limits the capacity of personnel or prevents them from using their real or potential ability. In any case, solving the general problem of the civil service begins rather than ends with the establishment of an appropriate training system. Such aspects as recruitment, classification of posts, tenure, social security and working standards for government personnel have to be looked at as a whole.

Emphasis must also be laid on the need to articulate civil service policy with the over-all planning and implementation policy, remembering that any changes in the order of priorities may result, for example, in the legal stabilization of a huge and inefficient bureaucracy, or the establishment of a costly retirement and pensions system out of all proportion to the country's resources and their rational use, and out of line with the optimum use of the human potential available — as, for example, when experienced men who are still capable are retired — and not in harmony with the functional needs of the administration, since no one yet knows how to replace an engineer, a doctor, or a statistician, with two, three or more subordinates who are not specialists but yet cannot be removed because they are career officials.

Several ONRAP studies analyse these problems and suggest immediate and longer-term solutions. The main recommendations emphasize the need for a central personnel office at the centre of the administrative and legislative system as the only way to develop and maintain all personnel procedures, including post classifications, wages and salaries and the basic register for pensions. In brief, the tasks of such an office would be to establish organic rules to ensure proper personnel administration by the personnel offices in the various public bodies, and to see that they are complied with, particularly in respect of post classifications, wages and salaries, recruitment and training procedures, evaluation of candidates, administrative procedures for appointments, promotions and retirement, disciplinary and welfare measures, and all the other rules and standards laid down for the civil service in laws and regulations.

(c) The supply system

The supply administration includes all the services that the State requires for the efficient logistical support of its operations. In view of the fact that expenditures on the acquisition of material, equipment and non-personnel services make a very large proportion of the annual budget, it is urgently necessary to take substantial and immediate steps to ensure that the supply system operates as efficiently as possible, these reforms would include helping to
balance budgets, curtailing the investment of public funds, making better use of State property and taking advantage of the purchasing power of the State. The proper administration of supplies will, among other things, have a great influence on the establishment of national policies in such fields as the encouragement of industry, improvement of the national export potential and support for new industries.

Organizing this administrative system requires a great variety of specialized services: high-level administrators, legal experts (to draft laws, regulations and contracts), accountants (to establish and keep up to date uniform, permanent accounts of the national wealth), chemists and physicists (to establish quality control and inspect goods and equipment both during and after the manufacturing phase), experts in various branches of industry (to ensure that the State obtains the goods it needs on time and at the lowest cost), maintenance, storage and transport technicians, trained statisticians, planners and budget officers, etc.

The ONRAP preliminary appraisal described the normal functions of a supply administration, and added comprehensive comments and views on recent measures to improve it, leading to several important recommendations relating to organization, immediate action programmes, better use of the government's movable property, the State's purchasing power and storage facilities; the establishment of a national control centre equipped with laboratories for testing, and a training programme for technical staff and administrators at several levels.

A round table on the supply system was held at ONRAP, from 16 to 28 October 1967. One of the main recommendations of the round table was that the functions of the supply system should include the following: drawing up specifications; classifying, listing and standardizing the supplies required by State bodies; adopting a standard terminology to be used in the supply system to improve understanding and communication; establishing a publications system comprising the formulation and supervision of rules and regulations and the publication of manuals, etc., based on a policy of continuing co-ordination with such organs of the public sector as the armed forces, the National Institute for Industrial Technical Standards and Certification (INANTIC), the universities, ONRAP, the National Planning Institute, organizations in the private sector and other agencies whose nature and purposes are linked to the supply system, re-orienting the supply process, including the calculation of needs, purchasing, storage, maintenance, distribution, transport, control and the final use of goods; standardizing the collection of statistical data on supplies from State bodies and promoting the preparation of statistical tables with an institutional breakdown; and participating in the drafting of bills and other legal and administrative provisions that will help to improve the supply system.

(d) The planning system

Despite the fact that the national economic and social planning system has been in existence for years, the concept of planning is still rather vague in Peru, and the purpose and scope of national planning even more so. This vagueness, with regard to both theory and practice, has its roots in planning theory and its doctrinal basis, and it has a multiplier effect when attempts are made to apply the many and varied techniques of planning to different levels and sectors of
activity. This phenomenon, however, is not peculiar to Peru, and can be found in most of the Latin American countries that have recently set up national planning systems. For the most part, the vagueness stems from a confusion – whether one speaks of "planning" or "programming" or some such term – between two types of planning which are radically different in both scope and purpose – namely macro-economic or sectoral planning, and micro-economic or institutional planning.

In Latin America, the fundamental error in planning is the maintenance of the concept of sectoral planning without a parallel recognition of all the consequences of the fact that the sector is different from the institution and that therefore the administrative process governing the institutions does not apply to it. While there is recognition of the need to define, study and plan each sector of economic and social activity the totalitarian solution of institutionalizing the sector has been rejected; but there has been no realization of the need, let alone an empirical search, for a solution that will make the micro-authority of the institution compatible with executive authority at the sectoral level. The solution, which is well known, can be taken from the example of France, and involves: (i) differentiating between planning and programming; and (ii) defining planning as strictly indicative and never mandatory, without prejudice to existing systems of incentives or disincentives which, far from making planning mandatory, actually make it more voluntary in nature.

Title II, chapter II, article 49, of the draft of the basic law, which relates to administrative systems, outlines the responsibilities of the National Planning Office as follows: formulation of medium- and long-term plans, evaluation of investment projects, recommendation of annual priorities for adoption in the national budget, periodical evaluation of work and supervision of the planning offices at the various levels. It also states that the National Economic Council provided for in article 182 of the Constitution will act as an advisory body within this planning system.

(e) The rationalization system

The public administration must be improved by applying rules, by going through a series of stages, by supervising the implementation of decisions and by ensuring that the process of improvement is continuous. The plan of action for administrative reform must stress the importance of having a rationalization system with the necessary efficiency and authority. This is particularly important in Peru, where many people think the time is now ripe for decisions as a result both of the situation and of the conscious efforts of leading circles which wish to endow society with a mature administrative structure.

Economic and social progress depends to a large extent on sound administration. It is urgently necessary to promote essential legal, structural and methodological reforms in order to provide the country with the best administrative machinery possible. The current and quite evident inefficiency must be dealt with by recognizing the need for changing and even completely modernizing the public administration and all its constituent parts, both personnel and equipment, to give it the pace, the cohesion, the capacity, the authority and the prestige it needs. This is the task that now falls to a properly organized rationalization system. By definition, and in the light of experience in
other countries, it would have the following basic tasks: (1) to study and make proposals regarding the most suitable form of organization in the light of the most modern techniques; (2) to ensure the highest degree of stability, objectivity and organic institutional efficiency in the administrative structure of the State.

According to the Supreme Decree of 10 April 1964 establishing ONRAP, ONRAP's aim is to improve the public administration by ensuring that research, the formulation and implementation of co-ordinated plans for the reorganization of the components of the public sector, and training for personnel in the public service are carried out as a continuing process. It is debatable whether the last of these functions falls naturally within the purview of ONRAP or whether it should be considered as a complementary function which, if the administrative systems were structured differently, might come under the personnel system. It must be remembered, however, that, although ONRAP's functions are not necessarily an indivisible whole, training – particularly at Peru's current stage of development – is an integral part of administrative rationalization. In any event, ONRAP's recent record in dealing with all these responsibilities has been very good. Hence it seems advisable to continue with the same institutional arrangements.

Since administrative reform must not be thought of as a collection of disconnected efforts but rather as a permanent process, and since it is necessary to ensure that the reform is a continuous process by assigning specific responsibility for ensuring continuity to an institution, the need for a rationalization system becomes clearly apparent. In this respect, the organizational structure of ONRAP fully corresponds to the purposes for which it was established, since it is made up of the following components: Governing Council, Office of the Executive President, Technical Department for Rationalization, Technical Department for Training, as principal organs; Planning and Policy Committee, international advisory missions, and the Office of the Legal Counsel, as advisory organs; General Administrative Office and Office of Public Relations, as auxiliary organs.

The basic function of the Technical Department for Rationalization is to undertake research leading to the formulation of general standards which will improve the organization of the public administration and make it more efficient, and to carry out studies on the organization and methods of work of the various sub-divisions of the public sector. The functions of the Technical Department for Training are essentially to provide training for public servants and to promote the teaching of the science of public administration and its techniques.

Article 50 of the draft of the basic law states that ONRAP is responsible for keeping under constant review problems relating to the organization of the public sector and to administrative practices and procedures; ensuring the progressive technical improvement of the public administration; adapting its organization, functions and methods of work to the Government's plans of action and promoting the rational organization of public activities to ensure administrative efficiency.
8. Institutional reforms

Although the sector must be a unit, considered as a sphere of government policy, this must be compatible with the existence of many different institutions which means that large numbers of public agencies are concerned to a greater or lesser extent in the work to achieve the purposes for which the institutions were established as instruments for carrying out the tasks of the public administration. Determining the aims, objectives, authority, responsibility and the resources required for the dual task consisting of the sector and administering the public agencies it comprises is one of the fundamental prerequisites for efficiency in the administration. The public agencies are responsible for undertaking and completing the actual work (rules, regulations, production, financial and other measures) in which public action is expressed; these agencies are governed by specific rules which are related to the resources and the purposes assigned to them; they have a managerial authority which is limited to the technical, financial or material operating processes of each agency.

Any analysis of government services shows that they often leave much to be desired. It is frequently the case that certain services provided for in the legislation have not actually been established, or are unsuitable for the implementation of policies or plans; or that certain bodies have in the course of time taken on responsibilities or functions that were not initially assigned to them; or that these bodies are out of date because they have not changed since their establishment; or that some functions are not discharged so efficiently as they should be because the legislation governing them or their administrative organization needs to be improved. There are cases, as was stated earlier in general terms, in which the same function has been assigned to different departments, or in which work is duplicated and efforts are wasted for a variety of reasons, owing to a lack of planning and, therefore, of co-ordination, and a lack of an appropriate institutional structure.

In addition, the Ministries must be reorganized internally with a view to ensuring that the various departments have a rationally integrated chain of authority and division of work. In so far as it is possible, the functional departments of each ministry should have a unified administration, so that they can operate economically and efficiently. Duplication of effort and overlapping of activities must be avoided, and also indistinct lines of authority.

At the sectoral level, the various offices must be established with a clear definition of their position in the chain of authority, their headquarters, their functions and basic structures, and they must have sufficient financial resources to be able to operate effectively. It is important: (1) to ensure that authority is not split up and that activities are not distorted or fragmented when priorities are determined; and (2) to formulate homogeneous plans which must be implemented by well-defined dynamic structures within each sector, so that results can be evaluated. It is especially important to clarify the respective spheres of competence of the ministry and the autonomous bodies in the various sectors, and also the degree and type of autonomy such bodies should have, in accordance with the criteria set out above.

On this point, ONRAP’s preliminary appraisal contains the following conclusions and recommendations: (a) studies should be made to ensure that in
each body the levels at which decisions should be taken are defined and the way in which authority may be delegated is established; (b) organization and methods offices should be established, if they do not already exist, to advise on how methods can be improved and to recommend new procedures; (c) an exhaustive study of procedures should be made in order to eliminate the legal provisions that are impeding any improvement in efficiency; (d) it is urgently necessary to inform executive personnel of the ways in which work can be simplified, so that they can effect the changes consequent upon the introduction of improved methods; (e) a just and equitable policy for administrative procedures must concentrate, inter alia, on the preparation of standard procedures, on centralizing the administration of documents and records, and on the automatic payment of the benefits due to the personnel of the public administration, both in and out of service; (f) there should be a law containing general rules for administrative procedures establishing the basic rules applicable to each type of administrative procedure.

9. The Office of the Comptroller-General

Article 55 of the ONRAP draft of the basic law describes the Office of the Comptroller-General of the Republic, already mentioned, as an organ which exercises external control over the public sector of the nation; the independence of this Office must be reaffirmed in line with its administrative terms of reference.

It is necessary to clarify article 10 of the Constitution, which fails to deal with all the problems and does not give the Office the legal basis it needs. Article 10 refers to the Office as a “department”, a term that is normally used in administrative terminology to refer to a subordinate body or internal organ of a larger body, and not to a separate institution with its own juridical personality. It says that it is a “special” body, without defining what its speciality is or the general criteria governing it, and that its operations must be “in accordance with the law”, without specifying what type or level of legislation it is referring to. Under this article, the Office is responsible for “controlling the administration of the budget”, but it is not clear whether the control is to be internal or external, or what is meant by the administration of the budget. Article 177 of the Constitution does nothing to clarify the position; it provides that when the Minister of Finance submits the national accounts of the Republic to the Congress, he shall attach the report of the official responsible for controlling the administration of the budget, but the article does not make it clear whether this report is separate from the accounts and sent by the Comptroller-General to Congress on his own initiative (which would guarantee that the control was external), or whether the Minister of Finance assumes responsibility for it, since it is he who submits the report to Congress.

The wording of the ONRAP draft meets a legal need; it is based on experience and it clarifies the real status of the Office. The relevant provisions are as follows:

Article 55. In accordance with the constitutional provisions currently in force, the Office of the Comptroller-General of the Republic shall exercise
external control over the public sector of the nation. For this purpose its jurisdiction shall be independent of the three branches of the State, and its relationship with them shall be determined in an institutional law. The Office of the Comptroller-General shall examine the activities undertaken by the institutions comprising the public sector of the nation; and it shall, after administrative proceedings, decide whether or not members of the administration bear financial responsibility for their official acts.

Article 56. The Comptroller-General of the Republic shall personally represent his Office in relations with the branches of State, and he may delegate persons to represent him in relations with the public institutions of the nation. The qualifications for the post of Comptroller-General shall be the same as those for that of Senator of the Republic. The Comptroller-General shall be appointed by the President of the Republic, who shall select him from a list of six candidates submitted by a commission of both houses of Congress; he shall be sworn in before the Supreme Court. He shall be appointed initially for a seven-year term, and may be reappointed for a similar term in accordance with the above procedures.

Article 57. The Comptroller-General may not leave the country without the authorization of Congress. When the Comptroller-General is absent from the country, the President of the Republic shall appoint a temporary replacement from the initial list of candidates for the post.

The post of Comptroller-General becomes vacant if the incumbent dies or if: (1) he is declared by Congress to be suffering from a permanent physical or mental disability; (2) his resignation is accepted; or (3) he is sentenced to a penalty involving a deprivation of liberty. In addition, the President of the Republic may, at any time, upon the proposal of a commission of both houses of Congress, order the dismissal of the Comptroller-General.

10. The executive secretary-general of a ministry

The effectiveness of the policy guidance of the ministries is diminished because a single person is responsible for determining the policy to be followed, for maintaining relations with other ministries and institutions, and for directing both technical and administrative executive functions. These activities have become more complex because the functions of each ministry have increased, and the problems have become more acute because a process of rapid economic and social development has begun which obliges ministers to participate actively in the meetings of inter-ministerial bodies dealing both with internal and with external policy – for example, the National Council of Economic and Social Development – and forces the State to play a larger role through its executive organs in order to promote higher levels of development.

Therefore, it is necessary to establish a post of executive secretary-general directly under the minister, to whom responsibility would be delegated for internal executive and administrative tasks, with the authority to take executive decisions, in accordance with the policy laid down by the minister, on matters for which the minister has not been assigned exclusive responsibility in his mandate. The executive secretary-general would help to ensure the continuity of
ministerial guidance, since he would not be responsible to Parliament, although he would co-operate closely in formulating the ministry’s policy. Moreover, by relieving the minister of executive responsibilities and formalities, he would enable him to concentrate on the formulation of general policy and relations with other ministries and institutions, while at the same time being fully informed of developments within his own ministry’s field of competence.

The establishment of this politico-administrative executive post would constitute the first step towards defining the level below which purely administrative qualifications are required and above which political qualifications and a sense of responsibility are essential.

11. Reorganization of the Ministry of Finance

ONRAP has pointed out that a number of institutional modifications should be made and that there should be a reshuffle of functions among various public bodies with different levels and spheres of competence in order to create a Ministry of Finance that has no other functions but those proper to it as the key organ of the financial system.

The Ministry’s sphere of action now covers trade and ports as well as finance. It is thus compelled to deal with three areas at once, none of which can claim its undivided attention. As pointed out in the explanatory introduction to the bill on the institutional system and functions of the Ministry of Finance which ONRAP submitted to the Executive, the principal functions of the Ministry, qua Ministry of Finance, are limited, disjointed and poorly controlled. Moreover, as it is at the same time the Ministry of Trade, it undertakes activities that are alien to and sometimes even incompatible with its role as administrator of the public finances. The bill draws attention, among other contradictions and shortcomings, to the fact that the preparation and revision of tariff proposals and the formulation of national foreign trade policy should not be left in the hands of one person, viz., the Minister of Finance, who, by definition, must put fiscal performance before all other considerations. The idea of removing all matters of port administration from his jurisdiction is inspired by similar considerations.

The ONRAP study states that some of the functions proper to the Ministry of Finance, which had been taken out of its hands for one reason or another, should be restored to it. The functions of an exchequer rank first in this respect, followed by those of national accounting and, lastly, by those relating to the preliminary approval of public expenditure, which is currently undertaken by the Office of the Comptroller and the Banco de la Nación. In other matters ONRAP goes so far as to advocate the reconstruction of the existing Ministry of Finance as the supreme authority in national financial policy. Moreover, the draft of the basic law for the public administration (to which numerous references have already been made) invests the Ministry with executive authority over all the administrative systems, including those which are not concerned with financial matters and are therefore answerable to other government departments.

These systems have been included by virtue of their nature, and the fact that they have in common the duty of tailoring the administration of every type of
input used by public bodies to meet the requirements of the unified regulations for supply, allocation and control. As these resources (human, material and organizational) require legislation, an organizational set-up and methods that are common to all the sectors of social activity, they should not be scattered piecemeal or be kept as they are now, under the aegis of ministers who are responsible for some particular sectoral activity, but should be the responsibility of an extra-sectoral political authority. Having established this principle, the study considers various possibilities and eventually decides in favour of investing the Minister of Finance with supreme powers over all the systems so that, once united under a single authority, their activities could be co-ordinated more effectively.

12. Regional government level

It has already been pointed out that the administration should be built up in the form of a decentralized system which, while maintaining its unity and ensuring the requisite co-ordination, would be most effective in achieving its particular aims. One of the problems of decentralization which has not yet been solved is the status of the departmental councils, which are currently inoperative. It is argued that the present departmental limits do not reflect the real geographical, social and economic boundaries, and should be retraced along regional limits. Nor has agreement been reached on what the regions themselves should consist of. In any event, it is urgently necessary to state the basic principles of demarcation and division of the national territory, and define precisely the powers and functions of the different levels of government. Faced with development requirements, the people of the provinces are making pressing demands for the establishments of an intermediate government level as a half-way house between the municipalities and the Central Government, since the development corporations have failed to meet requirements in this respect.

The formula set forth in the ONRAP draft of the basic law does not revive the concept of departmental councils as envisaged in Title X of the Constitution. Instead, it opts for strengthening the authority of the prefects and amplifying their powers so as to make them true representatives of the Central Government as a whole. In other words, they would directly represent the different Ministers, and take precedence over the heads of the state departmental services. This concentration of powers could be combined with the delegation of authority by the prefects to the head of the departmental services without precluding legal definition of the regular administrative relations between prefects and ministerial representatives.

The regional government organ would be the regional administrative council, as described in articles 75 to 78 of the ONRAP draft of the basic law. These councils would take over the existing development corporations by assimilating their main functions. Without detracting from the uniformity of the system, which is both desirable and necessary the proposed structure would make allowance for the special features of certain regions and the procedures which have been successfully employed in each administrative area. The object of the reform is to streamline the work of public administration and seek highly
adaptable organizational formulas on the grounds that development policy cannot function in a vacuum but must have a decisive influence (as indeed it already has) on the evolution of every facet of public administration, and that it can help to discover or devise a permanent formula for civil service work.

The regional administrative council would be set up under the chairmanship of the Prefect and would consist of not more than twenty members. A quarter of these would be delegates of the municipal councils within the regional jurisdiction, while half would be elected by the chambers of commerce, industrial and agricultural societies, professional associations, labour unions, indigenous communities and similar organized groups. The remaining quarter would be composed of outstanding persons appointed by the Prime Minister because of their special knowledge of economic, social, family, educational or scientific matters, and would generally include one or more university professors.

These councils would be empowered to organize and control education, sanitation, departmental public works, roads, agriculture, stock-farming, industry, mining, welfare, social security, labour and other areas related to regional requirements. The Prefects would administer the regions in accordance with the council's policy.

13. Municipal government level

Municipal governments are the institutional instrument of social cooperation for the advancement of the community in an urban environment, and they constitute the level at which public support for national programmes can be mobilized. They provide an effective means of raising the political, economic, social and cultural levels of national life. For some time past, local government personnel have been appointed by the Central Government, with the result that ministerial bodies and, more recently, departmental corporations have preempted many of the functions which are normally the responsibility of local government. Hence, the municipal elections act, which has been in effect for four years, represents an important step forward both politically and administratively.

Peru's success in solving its social and economic problems will largely depend on whether it is able to tackle the overwhelming problems of urban life, which include, among many others, housing, health, transport, air and water pollution, traffic control and the preservation of the natural beauties of the environment. One of the reasons why it is hard to understand the role of local institutions is that their functions as established by law do not coincide with those they actually perform. The study made of this question as part of ONRAP's preliminary appraisal pays special attention to local finances, the technical assistance and training requirements of municipalities, and the fact that the basic law should not be applied to the municipalities, and the fact that the basic law should not be applied to the municipalities in a uniform fashion regardless of differences in their size and location.

The appraisal suggests that a special government authority should be established for the Lima-Callao area, and that the activities of the central
government agencies that assist local governments should be co-ordinated and merged in the proposed National Office for Community Development and Special Services, to be set up as part of the Office of the President. It points out moreover, that the strength of the local governments partly depends on the efforts made by the municipalities themselves to take part in the exchange of information and the comparative study of common problems, and on their skill in promoting their own interests vis-à-vis the central Government.

The main principles laid down in the ONRAP draft of the basic law are as follows: autonomy of municipalities; strict legal enforcement of the principle that no public power or authority is to intervene in the election or dissolution of municipal councils (save in execution of a legal judgement), in the observance of their edicts, agreements and resolutions, or in the collection and use of their revenue, when approved in accordance with the law; election of the councils by direct secret ballot; and representation of the indigenous communities in the municipalities.

The basic law specifies the municipal services that are to be provided in accordance with the type of municipality concerned, and the matters that are the exclusive concern of the municipalities, although the State or other public bodies may take part in the organization and upkeep of certain services. The inhabitants of the municipalities are to share in the municipal government by exercising the right to make proposals and by sitting on the subsidiary organs of the municipal council. The municipalities are entitled to appoint arbiters and to levy local taxes within the specifications and limits laid down by the basic law.

14. Autonomous bodies

The ONRAP appraisal points out that these bodies were set up to deal with a rise in the demand for public services which could not be met by the traditional structure of the central administration. The result was the proliferation of agencies with different degrees of independence, often representing political platforms or private interest. The appraisal adds that, with the advance of the decentralization process, which began during the previous decade when the central Government still undertook the bulk of public investment, these agencies have been growing rapidly. With the tax revenue allocated to them, they have assumed new responsibilities and they make direct investments, which, as early as 1961, had already outstripped those of the Central Government and now constitute over two-thirds of investment in the public sector.

The articles of the ONRAP draft of the basic law which are concerned with the decentralization of functions are designed to check improvisation and disorder by establishing regulations and limits. It is stipulated that there must be a decentralization of functions in the public administration, so that better use can be made of national resources, capacities and projects by reconciling the unity of State action with the rational distribution of public responsibilities, and effective channels can thus be provided for the private sector to share in the responsibilities of the State, regional and local administrations (article 85).

Mention is made of two basic factors which should act in combination as a regulatory force: the volume of administrative powers transferred and the
strength of the powers of control retained. The basic law visualizes two types of
decentralization of functions: autonomous public bodies and semi-public
corporations. The former would be special services connected with a state or
local administration, and would be sufficiently independent to impart some
flexibility to civil service activities and speed up decision-making, while there
would be guarantees of the essential unity of the administration and control over
the management of national resources (article 86). Public bodies of this kind
always function as an indirect branch of the State administration, since the
interests of both are inseparable from each other. In some cases, the organization
of autonomous public bodies may be based on the election of executive organs
by a special electoral body. The semi-public corporations are described as a
financial association between State or regional or local bodies and private
capital, with the public sector retaining its rights of supervision and direction.
Article 87 stipulates that the decentralized bodies set up should follow the
pattern laid down in article 86 so as to standardize the system as far as possible.
It also provides that caution should be observed in establishing such bodies, in
order to avoid improvisation and stave off the pressure of groups or parties that
are indifferent to the claims of public interest.

15. Administrative procedures

The part of the ONRAP appraisal that relates to administrative procedures is
also of great interest. The basic premise is that the State, by reason of its
functions and inherent obligations, should provide services for the community
and should perform those services efficiently, that is, in accordance with the
requirements of promptitude, generality of application, legality and concern for
the public welfare. The activities of the State are carried out through
administrative acts which are linked together in processes aimed at the
achievement of predetermined goals. The performance of an administrative act,
that is, the manner in which it is undertaken, is termed a procedure, and the
successive steps by which a problem is solved are the basic elements of every
administrative procedure. There may be as many procedures as there are
methods used to perform an act as part of a process. The use of a procedure
signifies the intervention of people, who, in this particular case, are public
servants, and also involves the factors of space, time and equipment. In defining
the procedures to be adopted, consideration must be given to the way in which
they will affect other procedures and to the problems that are liable to arise
from their application. Hence, the course of the procedures should be regulated
by planning the successive phases it would go through and defining each one in
accordance with appropriate standards.

Consideration and solution of problems are unduly, and at times indefinately,
delayed by the lack of clearly defined functions and spheres of
responsibility. As there are no administrative handbooks that give a clear and
precise description of the responsibilities to be assumed by each administrative
level, and authority is not delegated on a par with the duties assigned, the
decisions are taken at the highest administrative levels, and routine adminis-
trative chores that would be easy to delegate and should therefore not be dealt
with above the intermediate levels, are combined with others that cannot be
delegated and eventually reach the desks of the senior administrators. One
person is thus compelled to decide on a whole host of administrative measures
which are too important or too numerous for sound and timely solution. The
result is the emergence of bottlenecks, which bring State activities unnecessarily
to a halt by paralysing the administrative services and forcing decisions to be put
off for an unspecified length of time.

The mass of paperwork that has to be done is due to irrational use of the
resources available, with the result that formalities are carried out more slowly
than necessary, more materials are used and more staff are involved, thus
reducing the amount of space available. The extra volume of work that ensues
and the haphazard and disorganized way in which administrative procedures are
carried out have an adverse multiplier effect which sends expenditure up by
leaps and bounds.

As the way in which these procedures are now taking shape is that each
employee or official swells the flow of paperwork by adding additional
formalities, inspections, verifications and signatures at his own discretion,
administrative analyses should be undertaken to determine on a rational basis
the phasing to be followed by each request or administrative act, and, once
approved, the relevant regulations should be published.

The flow of paperwork does not seem to follow any rational scheme of
work, mainly because the formalities have not yet been properly established.
This adds enormously to the number of papers in circulation and increases the
time required for an administrative decision to be taken.

This anomalous situation can be traced to a variety of causes. One is that the
staff tend to justify their existence by adding unnecessary formalities. Another is
reluctance to accept the whole burden of responsibility for a decision instead of
sharing it with several people.

16. Legal responsibilities of the administration

The concept of the reign of law, as it has been universally established in
authoritative statements, covers the responsibilities of all public authorities
under the law, the legal guarantee of certain fundamental human rights and the
defence of those rights by an independent judiciary. However, some Peruvian
specialists of repute consider that there are no valid legal grounds for making the
State responsible for acts performed by its agents in the exercise of their
functions (Núñez Borja). In accordance with the spirit of Act 7895, it must be
concluded that there is no way of compelling the State to accept direct responsibility
for damage caused to private persons by the operation of the public services. Act
8489, which was later expanded and complemented by a body of regulations for
its application, admits this principle to some extent but is unclear on the matter.
The same is true of other laws and regulations, which cover only certain aspects.
Modern juridical order requires provisions that affirm and develop the concept
of direct State responsibility, and article 88 of the draft of the basic law has
been formulated with this end in view, although all it does is to state the
principle itself, and the essential question of its enforcement is left to the regulatory legislation.

17. Settlement of administrative disputes

The relevant commissions have undertaken studies in which it is pointed out that it would be desirable to set up a court for the hearing of administrative disputes, and they substantiate their case by reference to the many countries with an enlightened legal system where such courts exist and have proved to be of value. The draft of the basic law, Title IV, chapters II and III, which stress the need for a court of this kind, set forth criteria for clarifying the obscure and largely unexplored area in the legal system of the Peruvian administration that has to do with the formulation of the decisions, marking the conclusion of the administrative process.

Article 91 states that regulations for administrative procedures will indicate the requirements to be met by administrative acts, which may not contravene the general regulations of the administration even if they have been laid down by officials of equal status or higher rank than those who established the regulation that has been infringed. Administrative acts shall be executed forthwith, even if an appeal has been lodged to quash their application. The exception to this rule would be the suspension by the administrative authorities themselves of an act whose application might cause damage that it would be difficult or impossible to repair. In all cases, reasons for the decision must be given.

Article 92 states that the administrative process shall be terminated by the decisions of the following organs and authorities: (a) the Council of Ministers and inter-ministerial commissions in every case; (b) ministers, except in the case of an appeal for reconsideration or if the law permits an appeal to be made to one of the higher organs of the State administration; (c) the lower authorities for cases settled by delegation of authority from a ministry or other organ whose decisions conclude the administrative process; (d) any authority so designated by a legal provision or regulation.

Lastly, article 97 paves the way for the future legal regulation of appeals on questions of fact and appeals against abuse of power. The value of these juridical measures lies in the fact that, on the one hand, they make it possible not only for administrative rights to be defended, but also legitimate interests as defined in article 4 of the draft, and, on the other, that they ensure, through the medium of legal action in a competent court, that the acts of every administrative organ are compatible with the purpose of the functions with which it has been entrusted.

B. PLAN OF ACTION

1. Objectives and limitations

A strategy of administrative reform should indicate the successive steps of the process and the conditions which facilitate the attainment of the established
targets. Those targets should be defined in terms of the time taken to achieve them and their magnitude or quantification. In ONRAP's preliminary appraisal the objectives of the reform were set forth in general terms, with emphasis on the urgent need to initiate the process, but it included no plan of action. The present document is intended to fill that gap, its content being designed to represent a sure and continuing path or channel which those carrying out the reform should follow closely.

Although ONRAP is the central point of all action, it does not claim to be the only one. Therefore, the plan should be carefully drafted so that it will not only serve as a guide for those operating in ONRAP itself, but will enable ONRAP to act as the motive force of all the reform activities. The plan of action should include goals that are calculated to have an immediate impact, but it would be of little use to develop projects whose effects are unrelated to one another or to a plan.

The first decision arises with the extrapolation of the curve representing the growth of public expenditure and that representing the estimated increase in the administration. If the argument developed in the preliminary appraisal is accepted, i.e. that Peru's history is studded with periods of reform at thirty-year intervals, it must be concluded that the country has arrived at a critical moment in which internal pressure is building up for the outburst of reform that has characterized the changes in Peru's administration during the five stages identified in the preliminary appraisal. Peru does not find itself faced with an inevitable historical process or the working of some mysterious law; rather, the time is ripe for decisions stimulated by events and by the conscious influence of the country's leaders, who sincerely wish to endow society with a sound administrative organization.

What is meant by a "sound" administration, however, and under what conditions can society attain it? Replies to these questions are suggested in the preliminary appraisal: reform of the Central Government and of the institutional organization of the Office of the President; establishment of ministries of industry, transport, trade, and housing; restructuring of the independent sub-sector of the public sector; reform of the municipal system, the civil service, the financial administration, etc. As stated in the appraisal, a sound administration probably means that, like every adult who has to work out his own destiny each day, the administration is capable of guiding a future process of internal development, that is, of institutionalizing its own machinery for organized, co-ordinated and over-all reform.

This plan of action is intended to provide a new answer to those questions, formulated as the continuation of the above approaches, in the light of experience and the studies undertaken. Hitherto no real plan of action had been prepared. Was it for want of a plan that the policy decisions on reform were being held up? Or was it perhaps for want of policy decisions that the plan had failed to materialize? The vicious circle in which this project might become involved is more apparent than real. It is felt that the way out should be to propose a plan of action with alternatives on which a policy decision would be requested, and, on the basis of those choices, a final plan of action would be drawn up. This process calls for very close contact between decision-makers and the relevant technical machinery. Is the failure to initiate the reform due to
conflict between political forces? This cannot be so, since in any case the reform, as proposed, is outside party politics. Is there lack of interest on the part of decision-makers? No, since there are undeniable advantages in the reform from whatever standpoint it is regarded. Is there lack of information? It must be recognized that there are marked deficiencies in this field. Does the reform strategy conflict with party interests? This last question may be analysed in the plan, the conclusion being that there are neither advantages nor disadvantages for any particular party, while there are nothing but advantages from the national standpoint.

2. Factors conditioning the reform

(a) Motivation

Before attempting to forge ahead with a plan of action, it must be recognized that it is not a question merely of establishing models, introducing new or better organized bodies into the existing structures, or simply promulgating laws. Among the obstacles that must be taken into account are those which are inherent in the country’s social and political structure, because, in the last analysis, the public administration is only a part and an expression of social life. Consideration must be given to the creation of a cultural climate – in the broadest sense of the term – as a favourable condition for a truly successful administrative reform. Sociologists have remarked on the fact that some or all of the assumptions and conditions required for the operation of any reform plan are often lacking. Many studies highlight among the factors of resistance to reforms: the prevalence of certain values and the existence of certain attitudes, customs and traditions. As has been said, however, these are not mysterious factors about which nothing can be done. It is possible not only to identify those forces of resistance, learn how they operate and ascertain their effects, but also to modify them along the desired lines, even if this may take some time.

Be that as it may, the matter should not be dealt with too superficially, since modern sociologists have established, *inter alia*, the two following basic principles: first, that the social structure and “character” – as it is called today – are closely interrelated; secondly, that the social structure is a complex of institutions which cannot be altered without parallel and quite far-reaching changes in each one. This means that when behaviour is not in harmony with the assumptions and requirements of the administrative reform plan “character” becomes evident, that is a complex of attitudes and motives which was moulded by a social structure different from that which the plan is aimed at and requires. It also means that when those who strive for development and administrative reform attempt to introduce into a country the instruments it needs to overcome its difficulties and to develop its potential, what they actually do is to introduce factors of change into an institution which can produce the right results only if the other components of the social structure undergo a parallel modification.

The list of limitations and factors militating against reform given in the study on Latin America by IPA, New York, includes the following: demoralization of
staff, mainly owing to management shortcomings; and lack of a plan of human relations and of public relations which would help to improve this situation. In another part of the study, one of the obstacles to reform is said to be a lack of communications, isolation, or separation between the components. It is often pointed out in reports by different institutions that certain countries have gone too far in adopting legal systems that safeguard tenure of posts, while neglecting questions of selection, classification, promotion, remuneration, etc., with the result that the worst elements stay on and the work has little attraction for the more able staff, who gradually leave the civil service in search not only of higher pay and greater social prestige, but also of better prospects for more constructive work which will bring them the personal and professional satisfaction that public service can seldom offer under existing conditions.

Stress must be laid on the recommendation that the staff must be properly motivated if reform is to be successful. This means a complete change in attitudes at all levels and final acceptance and recognition of the fact that the administration must, above all, be objective and stable. Administrative reform calls for great executive ability both in political leaders and in senior administrators. The policy-making function is indispensable in the case of administrative reforms which require the promulgation of new laws and even amendments to the Constitution. On the political plane, the Chief Executive must actively support reform so as to reduce the interference of party politics as much as possible and to promote understanding and support for a better administration. As stated at the beginning of this study, the public administration can make lasting progress only in a democratic climate, with a stable government, constant official support and a highly developed sense of responsibility.

All this needs to be said because the reform should be aimed not only at saving money and reducing staff, but basically at making the administrative machine more efficient. As stated in the IPA report on public administration in Latin America, even the adoption of a new constitution containing the best possible provisions cannot, by itself, produce this miracle. Still less can this be done merely by changes in structure of or the titles of posts in the administrative organization. In order to have a sound administration it is necessary to create and maintain the essential conditions for its effective operation. IPA quotes the following comment, which it attributes to one of the Latin American officials it consulted: “If development aims are to be properly oriented and attained at a satisfactory rate, a politico-social philosophy of government is needed to provide suitable and stable guidance and organization.” The report goes on to say that this sentence, perhaps better than any other, defines the nature and the scope of the necessary reform, and it adds that the strategy and content of the reform may vary from country to country, according to circumstances, but it is clearly essential to create a suitable climate for integral development.

(b) Higher levels of technical training

All the foregoing considerations are related to the improvement of technical training for government employees at all levels. All the different studies have shown the urgent need to develop and utilize national talent and ability more intensively, since in many cases no use is made of the trained personnel available.
Hence, the plan of action must include planning and the provision of intensive training courses on various special subjects and areas of administration, and the study, preparation and thorough discussion of official criteria for the establishment of a sound system of promotion based on merit; the criteria would not be confined to theoretical principles, but would be rules that can be advantageously applied.

Attention should also be focused on the formulation of programmes for training in suitable universities and institutes abroad, making use of international technical assistance fellowships, and also on encouraging the establishment of university courses in Peru itself for training senior technical or professional personnel to occupy high executive or advisory posts. In this way the universities would be making an invaluable contribution in their own field to the development of administrative reform. Lastly, an in-service training department would have to be organized as part of the office of personnel, in order to improve the performance of the main body of employees at the intermediate and lower levels of the civil service. The experience gained from the training courses that ONRAP has been giving for some years may prove most useful in leading to valuable conclusions on these questions.

The efficiency of the administrative machine does not depend exclusively on the training or ability of the staff; however, a proper redistribution of functions is necessary in order to avoid duplication of effort and resources by eliminating superfluous or inefficient bodies and organizing new ones, if necessary. Proposals for internal organization, manuals of methods, improvements and simplification of work, and other similar projects will have to be presented. A post classification programme, clear and accurate job descriptions, a recruiting system based on the candidates' merits, a system for the control of productivity and the evaluation of work, and other up-to-date rules for personnel administration are indispensable if the situation is to be avoided where some employees earning the same pay for the same work do less than the accepted average amount of work, while others have too much to do.

(c) Steps to be taken

Once the plan of action has been prepared, it should be submitted to the public authorities for their consideration, the first step being to demonstrate that reform is necessary, that it is not in conflict with party interests, and that the first thing that the plan requires is for Congress to authorize the Executive to adopt, by means of decrees, the measures which are set forth in the plan for the attainment of its targets.

Enough has already been said here about the purposes and advisability of the reform. What must now be established, as stated at the beginning of this section, are the successive targets in terms of the time required to achieve them and to indicate their magnitude or quantify them. Obviously, the Peruvian Government cannot introduce all the proposed systems immediately or carry out all the measures which a complete reform would entail. This must be a gradual process.

In these circumstances, the programme for the modernization of the administration would comprise four stages, the duration of which will be specified in each case, as explained below.
(i) First stage: distribution of functions of the executive branch of the State. This stage would include the study and reorganization of the various sectors of activity. The first step would be to consolidate and clearly define the duties of the Prime Minister laid down in the Constitution, in both his political and his administrative capacity. In the latter capacity, he is ex officio chairman of the inter-ministerial commissions provided for in article 22 of the draft of the basic law.

A thorough study would have to be made of the bodies and services in each sector of activity, whether or not they operate as part of the structure of a ministry. From this initial study, it would be possible to determine the sphere of operation of the ministry and of the autonomous bodies in each sector, and also how much autonomy they have and on what conditions. The next step would be to analyse the structure, functions, procedures and staffing of each ministry, and then to redistribute the functions among the ministries in accordance with the criteria, assignment of competences and post classification indicated in articles 33 et seq. of the ONRAP draft. These articles would be taken only as a working hypothesis, and would be subject to alteration in accordance with the results of the analysis. The ministries might be the following: (1) Foreign Affairs and Worship; (2) Defence; (3) Interior; (4) Education; (5) Public Health; (6) Finance; (7) Labour and Social Security; (8) Agriculture; (9) Industry, Trade and Tourism; (10) Transport and Communications. The present Ministry of Justice and Worship would disappear, its functions being distributed among the Ministry of Foreign Affairs (worship), the new Ministry of the Interior (penal system) and, according to the new organization proposed by ONRAP for the Ministry of Finance, it would take over the civil service. The reorganization of the Ministry of Finance would constitute the second stage of the plan of action.

The next step would be the establishment of inter-ministerial commissions, beginning with the three envisaged in article 22 of the ONRAP draft: the National Defence Commission, the Economic and Financial Affairs Commission and the Public Health and Social Affairs Commission. Additional inter-ministerial commissions might be established in accordance with the conclusions of this study. The Prime Minister would be ex officio chairman of all such commissions, and he would be empowered to delegate his functions to any minister serving on them.

An Executive office would have to be set up in each ministry, which would be directly under the minister in the chain of administrative authority, and would be entitled to delegate power to prescribe measures at the ministerial level. Steps would also be taken to set up whatever commissions of executive secretary-generals appear advisable in the light of experience; they would be headed by a representative of the Prime Minister, and their functions would be those laid down in article 23 of the draft law.

This first stage would also include the establishment of advisory commissions in the ministries and of technical boards for administrative co-operation to advise the inter-ministerial commissions.

In order to complete the structure of the executive branch of the State on a broad and well-integrated basis, functions would have to be adapted or reorganized and those of the civil and military staffs of the Office of the President clearly defined. The over-all analysis of bodies and services in the
Figure II

PRESIDENT OF THE REPUBLIC

PRIME MINISTER
Council of Ministers

Ministry of Finance
Administrative systems

Inter-ministerial Commissions

CENTRAL OFFICES

Finance  Personal  Supplies  Planning  Rationalization  Legal and Administrative Matters  Communications and Information  Statistics

Foreign Affairs and Worship  Defence  Interior  Education  Public Health and Social Welfare  Labour and Social Security  Agriculture  Industry and Trade  Transport and Communications

Note: This Figure represents the proposed ministerial organization.
various sectors of activity of the public administration should be a help in defining the precise functions of these two staffs.

The branches of the central administration at the intermediate and local levels would be reserved for the last stage of the plan, after consideration of matters relating to local government and the organization of the government at the intermediate level.

Concurrently with the above activities, action would have to be taken to study and obtain approval of the necessary legislation, particularly certain amendments to the Constitution and obviously, of the draft of the basic law for the public administration prepared and proposed by ONRAP.

This stage would last one year.

(ii) **Second stage: organization of administrative systems.** Basically, this stage would comprise a review of the present state of the various administrative systems, with the necessary transfer of functions between bodies at different levels and with different spheres of action, so that each system would have the proper content and form part of a Ministry of Finance organized along the lines described above, that is, as an extra-sectoral ministry with supreme authority over all the administrative systems, including, as previously stated, those which are not financial in character and have hitherto been located in other units of the public sector.

On the basis of the foregoing considerations, the administrative systems would deal with the following: finance, personnel, supply, planning and rationalization, and there might be additional systems, such as the legal-administrative system, the communication and information system, and the statistical system.

It would therefore be necessary to restructure the Ministry of Finance, already divested of the services which ONRAP considers completely alien both to the character it has had and to its new role as ministry of systems, that is, trade and port services, which would have been redistributed during the first stage. This operation would be successful if the systems, united under a single authority, could be coherently integrated.

As in the case of sectors, steps should be taken to demarcate clearly and efficiently the sphere of action of the new Ministry of Finance and that of the bodies which, for constitutional or other reasons, must operate with administrative and legal autonomy. The most complex case is that of the Office of the Comptroller-General of the Republic; its structural characteristics and its substantive functions must be clearly established, and the legislation embodying the reforms must be duly enacted.

During the second stage, an analysis must also be made of the present situation and of any adjustments that may ultimately be necessary in relation to such institutions as the Inspectionate of Banks, the Banco de la Nación and the Banco Central de Reserva del Perú.

The duration of this stage would be six months.

(iii) **Third stage: organization of local government.** In the plan of action, municipal government comes before the analysis of intermediate levels of government, because the municipality not only serves to demarcate the area of
services and powers of intermediate bodies, it is also a factor determining their proper scope. Once the powers of national and municipal services and the area in which they are to operate are determined, attention would be turned to the question of regional government, which is taken up during the fourth stage.

The present state of the municipalities would have to be analysed from the standpoint of both organization and functions, and the possibility or advisability of introducing changes in both these fields explored. The study might begin by determining how far the functions actually carried out by the local government institutions correspond to those assigned to them by law, whether some of these functions may not lie outside their competence, whether the functions specified by law are being carried out, and if so, how efficiently and to what extent; and lastly, whether these functions ought to be revised, and if so which, and along what lines.

Consideration would have to be given to experience showing how far democratically elected local governments have corrected the defects and confusions deriving from the older system, under which the members of municipal bodies were appointed by the Central Government; it would also be necessary to see what difficulties, complications, confusion and, perhaps, defects of other kinds have been introduced under the new régime of democracy in municipal government.

The study should cover the question of local finances, municipal resources, financial autonomy, jurisdictional control, etc.; the municipalities technical assistance and training needs; determination of the basic functions of the technical boards, without overlooking the desirability of distinguishing, for reasons of size or situation, between various types of local government. In considering the organization of those different types of government, a clear structural definition must be given not only of those municipal services which must be considered as mandatory for any type of local government, but also of those matters which must be established by law as being within the exclusive competence of the municipalities. Part of the study to be undertaken in this field would cover the possibility of establishing by law a special local authority for the Lima-Callao metropolitan area, and perhaps for some other big Peruvian cities; or, on the other hand, establishing local authorities for micro-municipalities or population centres which, because of their very nature, ought to come under a different legal and administrative system than the usual municipality.

The third stage of the plan should also include the study of other important questions; i.e., whether municipal autonomy is really genuine, and what its guarantees and limits are, what the relations between the municipalities and the Central Government and intermediate bodies should be if specifically municipal interests are to be encouraged to the utmost and if the urban centres are to make the best possible contribution to national development activities; and, lastly, the question of various non-local bodies which are participating or may participate in successful municipal government, such as, for example, the National Office for Community Development and Special Services, or the development of the indigenous communities in so far as it may affect the existence and the efficiency of the local governments.

The duration of this stage would be one year.
(iv) **Fourth stage: organization of the intermediate level of government.** One of the most complex and typical purposes of administrative reform is the rational distribution of government activities between the different levels of action, and this involves consideration of the necessity and desirability of entrusting certain regional services to more or less autonomous regional agencies. During this stage of the plan, a study would be made of the functioning of the various regional departments of the Central Government, and of the experience of the operation of bodies in the independent sub-sector of the public sector on a regional scale, in particular the departmental development corporations. One of the goals of the plan is to facilitate and guide the process which should eventually end in the absorption of those corporations by the proposed regional administrative councils. The study would also deal with the need to adjust territorial boundaries with a view to dividing the country into new departments on a more realistic basis. In this connexion, thought should be given to the proposal in the draft of the basic law that economically and administratively autonomous bodies adapted to the particular characteristics of certain geographic economic areas should be established within the framework of over-all development strategy.

A careful study should be made of the functions of the prefect, both as a political authority and as an organ of the administration. The targets during this stage of the plan include defining the powers and building up the image of this important official, first of all by fully re-establishing his position as a delegate of the Central Government, that is, his role as representative of all the ministries, with authority over the heads of departmental government services.

The reform objectives in this area would be: (1) to simplify and co-ordinate administrative action for the development of the whole country; (2) to bring unified State action into line with an appropriate distribution of government activities at the various levels, and as far as possible to transfer the authority and responsibility of the administrative centre to the intermediate levels; (3) to encourage the contribution of the local institutions to development activities, with the municipal authorities participating on a regional plane; and (4) to provide effective channels in the machinery of the public administration for co-operation with the private sector. The following are some additional objectives: to define government authority at the different levels, eliminate duplication, bring the administration closer to the people, speed up decision-making, streamline administrative processes, particularly budgetary procedures, and, in short, to make the public administration at all levels an instrument not only for planning but also for promoting economic development.

An important point to consider is that covered by article 76 of the ONRAP draft. This article establishes that the regional administrative councils shall be empowered to organize and control education, public health, departmental public works, roads, agriculture, livestock production, industry, mining, public welfare, social security, labour and other fields connected with area needs. The article also provides that the prefect shall carry on the regional administration in accordance with the policy laid down by the Council. Hence the need for the clearest possible definition and the co-ordination of the respective powers and
functions of the representatives of the Central Government and those of the regional body.

This stage would last six months.

(d) *Organization in a favourable environment*

In conclusion, some factors affecting the success or failure of the reform should be emphasized. As we expect to live in an administrative State, we have a certain mode of conduct, a certain style of community living. We must get used to the administration; the country must learn what public administration in all its forms really means, and must maintain a suitable attitude towards it; because the effects produced by the public administration do not end with the action of its officials, there must also be a suitable environment: understanding, receptiveness and collaboration from outside the administration which will enable it to achieve its ultimate aims. Administration does not consist only in the actual provision of services; it should be an organization in a favourable environment which will facilitate its operation. Its mere existence and operation cannot produce the necessary results without a special organizational climate. Programming does not take place only when the appropriate organs have been established for the purpose. All execution involves planning, and what is essential is that there should be appropriate standards and a habit of programming. The collaboration from outside referred to above should be a form of training for citizens and customary within the community.

As far as the administration itself is concerned, very careful consideration must be given to where a complete overhaul of administrative organs and their operation is necessary, and where it is possible to use as a starting point deep-rooted traditional institutions, which might, with suitable adaptations, operate more efficiently than new bodies established before the time is ripe. The best course would be to undertake an integral reform along the lines suggested in the introduction to ONRAP’s preliminary appraisal, for which existing instruments would be utilized as far as possible, since the plans for reorganization must be reconciled with other factors, such as the availability of suitable personnel.

It must be realized that the best remedy is not always to make a clean sweep. Sometimes it is better to determine how well the existing instruments are being used; to consider adapting and conditioning them rather than introducing radical reforms. It would often be better to adopt the prudent attitude of the British, who do not like absolutes or narrow, restrictive definitions, but who always try to modify, adapt or make over what already exists and almost never make a clean sweep and build something entirely new. At all events, structural reforms are to be avoided if they jeopardize the practical results and entail excessive and unnecessary budget expenditure.

One conclusion which generally emerges from the studies made in Peru and other Latin American countries is that public opinion, particularly the opinion of responsible government officials, is in favour of administrative reform. Although many admit, however, that the reform should be extensive and cover all the administrative mechanisms and procedures, they do not support a change
in the political-institutional order, preferring technical and legal adjustments (regulations and procedures), for which a scientific and objective approach should be adopted, even in relation to those sectors of government activity which are traditionally considered to be political in character.

From this standpoint, perhaps the first result to be recorded is the emergence of a sense of administrative and managerial responsibility, as evidenced by the establishment of organization and methods offices, training courses, reports for technical assistance, etc., in an endeavour to introduce changes in the structure and procedures of the government apparatus, particularly the Executive, which is in the closest contact with the continuing problems affecting the country. It is obvious that there is an interest in adapting the administration to economic development needs, eradicating the ills which are inseparable from bureaucracy, eliminating tortuous procedures, and shaking people out of their inertia; but the path which will lead to these desirable results has yet to be mapped out.

The need to enlist the people on the side of economic and social development has led to all sorts of experiments. Notable among these are the community development programmes (animation) put into effect by the French in certain African countries. Starting with the basic community units, these programmes are aimed at constructing a development network ensuring the coherence of a development policy which will cover the national community from top to bottom and reduce structural inconsistencies and isolation and alienation, so that there is full and reciprocal communication at all levels and between all levels of the community. Taking advantage of the advances in psychology, sociology, economics and technology, and of whatever is of value in the existing political structures, this type of community development uses as its principal spring-board the awakening, both in the individual and in the community, of an awareness of the different factors of national development which are perceptible at each different level. This awakening spurs on the labour force, and imbues men with the necessary energy to dedicate themselves to the cause of development. The same means could be successfully used in administrative reform, thereby overcoming what has been called “civic under-development”, which is sometimes due to a breakdown in information or public relations and sometimes to the absence of a sound approach at the level where the philosophy of government is worked out. The result is described in some reports as “a very low index of shared action”, which means that the possibilities of harmonious development of the community as a whole are small indeed.

Another fact which must be borne in mind is that administrative reform is destined to destroy the existing set-up and interfere with vested interests, and it will also run up against prejudice and existing cultural models. As has already been said, an administrative environment supporting reform will always be an invaluable asset in all these cases. It is sometimes possible to achieve something important by choosing the right psychological moment to act and profiting by those moments of uplift and enthusiasm which are continually occurring in the life of nations. Administrative reform, however, must be something more lasting, a continuous process rather than series of fits and starts, a strongly rooted and deliberate plan rather than an improvisation by which to get out of a difficulty. Thus, the solidarity between members of the community and the co-ordination
of efforts which may be achieved through good community development programming should be considered not as an auxiliary factor but rather as a basic condition for successful reform. Thus, too, the activities referred to in part B, section 2 should be conceived and planned in a more permanent perspective, in keeping with the very nature of administrative reform.
IV

TRANSLATION OF THE PLAN INTO OPERATIONAL PROGRAMMES
ADMINISTRATIVE ASPECTS OF ANNUAL OPERATIONAL PLANS

By the Latin American Institute* for Economic and Social Planning

INTRODUCTION

A number of interesting studies have recently appeared on the need to formulate and implement annual development plans. More and more emphasis has been placed on the urgency of supplementing the work done in Latin American countries in the field of long- and medium-term planning by a systematic and continuous process of annual planning. At a seminar on the organization of planning activities, held by the Latin American Institute for Economic and Social Planning in 1965, there was general agreement that one of the most widespread defects in Latin American planning was the lack of operational mechanisms. There are few practical precedents on how to formulate and implement short-term plans and, consequently, there is as yet insufficient information on the administrative aspects involved in these operations.

This paper is intended, therefore, to provide a preliminary analysis of the general principles underlying the administrative system and procedures required for the operation of annual planning mechanisms. It does, however, also take account of the experience of the Latin American countries in the application of performance budget techniques and the adoption of national economic budgets.

A. THE ADMINISTRATIVE PROCESS OF ANNUAL PLANNING

This paper does not go into the functions, objectives and advantages of annual plans, since these aspects have been fully treated in the literature on the

* Document ST/ECLA/Conf.30/L.7.
1 See bibliographical footnotes below.
3 Las reformas presupuestarias para la planificación en América Latina (INST/57), July 1967.
4 Informe del Seminario sobre Planes Anuales Operativos (Santiago, Chile, 7-30 November 1966). Provisional, Mimeographed, 2 vols.
subject. It thus concentrates directly on aspects relating to the organization and procedures required for the efficient operation of annual planning mechanisms. In short, the paper is concerned with a set of principles or central ideas designed to act as guidelines for the establishment of administrative mechanisms for annual planning.

1. Nature of annual planning

Annual planning can take two forms. If it is limited to the projection of macro-economic or over-all variables, which point to the action to be taken vis-à-vis the whole economic system, it is indicative. If, on the other hand, it is concerned with specific aggregate and sectoral programmes, activities and projects, and the economic policy measures that should be adopted to ensure a specific allocation of resources within the economy, it is operational. Generally speaking, it is accepted that operational planning enters into greater detail in relation to the public sector, for which annual operational plans are formulated, and is more general in nature in relation to the private sector, for which economic policy programmes are drawn up.

The annual indicative plan is prepared at high government levels and is intended to facilitate the adoption of macro-economic decisions. It involves the definition of principles and criteria for determining the desired gross domestic product, growth rate, investment rate, public expenditure, private consumption, balance-of-payments situation, etc.

Economic policy is regulatory and operational so far as the annual operational plan is concerned: it helps to establish which economic mechanisms should be influenced, which procedures should be followed, which organizations should be involved and which administrative decisions should be taken. In this phase, annual planning is detailed, operational and concerned with short-term intermediate objectives.

While indicative planning is based on macro-economic variables and is carried out at the highest administrative level (the Office of the President, the Ministry of Finance and other ministries concerned with economic and social affairs, the Central Bank, the central planning office, etc.), annual regulatory and operational planning is based on the macro-economic framework and is formulated mainly in accordance with operational criteria and micro-economic analyses at the intermediate and lower administrative levels (departments, divisions and sections of ministries, autonomous agencies, public enterprises, etc.).

At the highest level, annual planning — whether indicative or operational — helps to define strategies and final aggregate or sectoral objectives, while at the intermediate and basic levels it is concerned with tactics and sectoral or regional intermediate objectives (which are linked with the final objectives), and with identifying specific programmes, operations and projects. In its operational phase, planning is also linked with the budget process, which is the actual instrument for the allocation of resources. There is a very close relationship between annual planning and budgeting, since the annual plan affects the
structure and orientation of the programme budget. Thus, sectoral plans provide a basis for the budget programme in each sector; the agricultural plan and the programme of regulatory and operational measures and decisions, for example, are what determine the priorities in each of the budget programmes, both the substantive programmes (development of stock farming, crop farming, etc.) and the support programmes (agricultural research, extension services, technical assistance, fertilizers, etc.). The programme budget thus expresses the annual plan for the public sector and a programme or project is a means of implementing the annual plan.

At any level, the annual plan is an expression of development strategy and tactics; it has specific aims and is intended to achieve results that are definable and, so far as is possible, measurable. In simplified terms, these aspects can be described as follows:

| Definition of development strategy and tactics (intention) | Indicative and/or operational annual planning | Impact on the economy to obtain a given result |

The operation of the annual plan entails the action of a great variety of "social entities" or agents of economic activity. There is an active agent (the agent which takes the decision or applies it) and a passive agent (the agent affected by the decision). The substantive relationship between the active agent A and the passive agent B takes the form of a measure applied by A through an instrument which determines the degree of impact on B. In the case of the application of a tax, for example, the active agent is the State, represented by the Tax Department of the Ministry of Finance, the passive agent is the taxpayer on whom the tax falls, and the measure is the amount of the tax, established through the instrument taxation.

2. Annual indicative planning

The administrative features of annual planning vary according to whether the plans being formulated are operational or indicative. Indicative planning can be divided into the following stages: formulation, discussion and approval, execution, and control and evaluation of the results.

(a) Formulation

This stage begins with an analysis of economic and social trends, identifying the basic obstacles to development, etc. A diagnosis -- both qualitative and quantitative -- has to be made of the present situation, describing the event in the external sector and specifying the behaviour of such economic mechanisms
as capital formation, the channelling of investment, the investment system as a whole, market and price mechanisms, and monetary and fiscal mechanisms.

The diagnosis must be accompanied by a prognosis, i.e., by a view of what will happen in the future if present trends continue and the economic mechanisms continue to operate along the same lines. If, for example, there is an increasingly regressive trend in the distribution of national income, it must be indicated that an accentuation of this trend might in the foreseeable future affect the size of domestic markets and lead to a distortion of the structure of production, because of the demand for highly processed products on the part of the wealthy sectors, or an intensification of their propensity to import, which would also have an unfavourable effect on the balance of payments; moreover, the reduction in demand on the part of the bulk of the population might act as a disincentive for the production of popular industrial consumer goods.

Once the diagnosis and preliminary prognosis have been outlined, a start can be made on establishing the final objectives designed to modify the operation of the economic system. This involves identifying the strategic objectives, within the framework of the over-all strategy for the long and medium term, in order to establish the raison d'être of the action to be undertaken. Once the objectives have been established – such as an increase in the savings rate, a reduction in the wage rate, a reduction in profit margins, etc. – the next step is to consider which instruments to use: bank rates, minimum cash reserves, tax rates, the establishment of credit lines, exchange controls, etc. An evaluation must be made of the possibilities afforded by each instrument and of its capacity to contribute to the final objective proposed, whether it be price stability, a higher growth rate, more equitable income distribution, etc.

(b) Discussion and approval

Once the basic lines of economic policy and the annual plan have been established and consistency tests carried out, the successive stages of the plan must be discussed with the political authorities. Obviously, many aspects must be defined by the Head of State himself and by ministers responsible for economic and social affairs.

But it is also necessary to carry out a technical evaluation, and for this purpose ministers, Central Bank officials and the main economic policy agencies must be consulted. In addition, the programme must be examined carefully in the light of the international agreements and commitments assumed by the Government. During this stage, discussion and approval of the plan is generally the concern of the Executive.

However, Parliament, too, often has a say in basic economic policy decisions. In many countries, tax, wage and public investment policies are laid down in bills which are then submitted to Congress.

In addition, certain pressure groups have to be included in the process of discussion and negotiation. It is unlikely that all economic groups will find themselves in agreement on an economic policy programme and annual plan, since a plan usually imposes sacrifices on some groups and grants benefits to others. The extent of these sacrifices or benefits depends on the strength of each group and its bargaining power. There is, therefore, a need for discussion and
negotiation between the various social entities: public agencies, manufacturers' associations, trade unions, etc.

Sometimes the time spent on the discussion and approval of the over-all economic policy programme and annual plan is unduly long and usually depends on the complexity of the political machinery involved.

(c) Implementation

Both direct and indirect instruments are used in implementing the over-all annual plan. It is in this stage that instruments are applied by active agents on passive agents. Their purpose is to bring about the desired impact and modify the behaviour of the passive agents. In other words, in this stage action is primarily directed towards generating changes of direction in the operation of the economy. If, for example, it is desired to increase the savings rate, instruments such as the establishment of interest rates, taxes, credit, etc., are used to attain the increase envisaged. If it is planned to increase exports, instruments for stimulating export activities are applied, either by means of exchange rates or fiscal incentives, credit, direct investment, etc.

All the general executing agencies, such as the offices of the Ministry of Finance, the Central Bank and the ministries dealing with economic affairs, must co-operate in the process of implementation. There must be a continuous appraisal of the reactions and repercussions produced by the application of the instruments, so that any necessary modification can be introduced. The impact of any measures sets the resistance mechanisms of the passive agent in motion. For example, a taxpayer affected by a new tax may attempt to pass the tax on to the consumer and thus avoid payment of the tax; an entrepreneur may ignore fixed selling prices; an importer may oppose devaluation of the currency, etc. To combat this type of resistance, supplementary measures may be introduced, such as severe penalties, incentives for those respecting the measures, and other sanctions.

(d) Control and evaluation of results

The application of economic policy instruments will modify the existing situation in varying degrees. It will then be necessary to embark on the stage of measuring the results in order to obtain a clear idea of the direction and extent of the change introduced. So far as possible, a set of economic indicators must be chosen that will reveal what is happening in the economy as a whole. These indicators should primarily show the growth of the gross product, the level of investment, the increase in public expenditure, the expansion of the money supply, fiscal revenue, the size of the fiscal deficits, the volume of exports and imports, the wage bill, etc. All these indicators will provide a basis for over-all control of economic policy and the annual plan.

A careful analysis of the economic indicators will make it possible to formulate a clear picture of the economic situation after the application of the over-all annual plan and to compare it with the situation prevailing before the planning process was initiated. A comparison of the levels of economic activity, employment, investment, etc., in the two periods and a measurement of the results achieved against the objectives laid down will make it possible to evaluate
the implementation of the economic policy and provide a basis for modifying the over-all approach and reappraising the criteria for the next year's plans, thus starting a new cycle.

The above description was concerned with the different stages in the process of annual indicative planning. Table I relates these stages to the institutions participating in the process, indicating separately the fields of competence of the executive and legislative branches.

3. Annual operational planning

The point of departure for operational planning is the macro-economic framework established by indicative planning. However, in contrast with indicative planning, it specifies particular programmes and projects, the units responsible for carrying them out, and the detailed economic policy instruments to be used. Annual operational planning, too, comprises several stages and its implementation is the responsibility of specific intermediate and lower-level government institutions.

(a) Formulation

Once the aggregate and sectoral framework has been defined, annual operational planning must study in detail the various aspects of the problems involved and the instruments to be used. If, for example, it is established that the backwardness of agriculture is partly due to farmers' reluctance to introduce new techniques, and practical policies have been formulated, specifying the strategic instruments to be used, the plan must establish the operational measures required to put those instruments into action. For this purpose, regulatory policies and operational decisions must be adopted.

Once the objectives to be attained in dealing with a problem have been established, the plan must contain a programme of action in which the direct and indirect instruments will be interrelated, establishing a time period and sequence which will enable the desired result to be achieved in the shortest possible time, at minimum cost and with maximum efficiency.

An analysis must be made of the usefulness of the instruments in relation to the part they are to play in the process, and of the feasibility of using them. In the example cited above, if it is desired to persuade farmers to introduce technological changes, an analysis must be made of the application of such instruments as taxes, credit, technical assistance programmes, subsidies for fertilizers, mechanized services, prices and the establishment of minimum wages.

Once the instruments have been defined, the stages of the operation to be undertaken must be considered. To modify the course of an economic activity by means of economic policy instruments, the order in which the measures are to be undertaken must be specified, in accordance with the requirements of the proposed objectives and the conditions under which the executing agencies are operating. This order may be established by drawing up a schedule of priorities defining the activities to be undertaken.
Table 1
STAGES IN THE PROCESS OF OVER-ALL ANNUAL INDICATIVE PLANNING AND THE INSTITUTIONS INVOLVED

| Institutions | Executive branch |
|--------------|------------------|----------------|
|              | Office of the President | Planning Office | Ministry of Finance | Ministry of Economic Affairs | Central Bank | Legislative branch |
| Stages       |                   |                |                  |                    |              |                  |

A. Formulation
1. Over-all diagnosis and prog-  X  Y  Y  Y
nosis
2. Establishment of over-all  X  X  Y  Y  Y
objectives
3. Analysis of instruments  X  X  X  X  X
4. Study of results  X  X  X  X  X

B. Discussion and approval  X  X  X  X  X  X
1. Feasibility study  X  X  X  X  X  X
2. Approval of economic policy  X  X  X  X  X
programme

C. Implementation
1. Action of the instruments  X  X  X  X  X  X
2. Action of the executing agents  X  X  X  X  X
3. Analysis of reactions and  X  X  X  X  X  X
repercussions
4. Adoption of supplementary  X  X  X  X  X  X
measures
5. Measurement of results  X  X  X  X  X

D. Control and evaluation
1. Analysis of indicators  X  X  X  X  X  X  X
2. Evaluation of results  X  X  X  X  X  X

Note: X = direct participation; Y = co-operation.

The function of operational economic policy is, of course, to co-ordinate the effects of the application of each of the instruments in such a way as to ensure that what is supplied in the form of credits is not taken away again in the form of taxes. Another aspect worthy of note is the need for an integrated approach to the use of resources: sometimes all the phases of a productive process should be acted upon in one way or another. This occurs particularly in backward countries, in which the farmer has to be persuaded to improve his methods of production by a combination of punishments, rewards and incentives.

Not all the instruments of annual operational planning are equally important: there are critical instruments whose application generally determines the fate of a project or activity. In the example cited, taxes, credit, technical assistance and government purchasing power might constitute such instruments.
In each particular situation, therefore, particular attention must be paid to the critical instruments.

When the phases of the operation to be undertaken and the instruments to be used have been studied, it should next be determined what type of agent will use each instrument for example, the mechanized services of Ministries of Agriculture, departments of agricultural extension services, agricultural marketing corporations, agricultural banks, tax departments, Ministries of Public Works, etc.

At this point, it is already possible to arrive at an approximate quantification of the fiscal impact of the tax, the value of the credits, the amount of technical assistance, the volume of improved seeds to be delivered, the amount of produce to be stored, etc. This whole set of factors will make it possible to assess the likely impact of the application of the instruments and, consequently, the probable reactions of the passive agent.

On balance, the situation will produce either a positive or a negative effect on the farmer, which will determine whether or not the project or activity should be carried out. In this sense, an indicator is a clue to past experience, and if in the past the price factor, for example, has played a constrictive role, ways of correcting this should be considered. However, the modification of any instrument may have repercussions on a number of other problems. For example, if prices were made much more remunerative, farmers would probably decide to concentrate on the product favored, substituting it for other crops produced on the farm, and these crops would suffer because of the lack of incentives for production.

Consequently, operational policy should be as precise as possible in defining the kind of result it is hoped to achieve and should attempt to ensure that the application of one micro-economic policy does not prejudice another and thus run counter to the purposes of the macro-economic policy.

(b) Discussion and approval

Once the macro-economic framework has been approved at the highest level, the detailed discussion and approval of the operational plan is the responsibility of the ministries and decentralized agencies. It is the departments, divisions and sections which must discuss and decide how the instruments are to be applied, and study the feasibility of using the instruments and sub-instruments.

Each agency involved will then have to approve a schedule for the application of an instrument at the appropriate time.

(c) Implementation of operational plans

This phase consists of the detailed implementation of the micro-economic policy decisions and operations. In one sense, in this stage operational planning and administration are inextricably bound up together. The success of planning depends to a large extent on the directive and administrative capacity of each of the social entities involved.

The timely application of the measures and operations proposed will depend on administrative efficiency, and the practical activities of the agents responsible
for implementing micro-economic policy will determine the fate of the whole operational planning process.

The administrative branch will have to continue allocating its resources and timing its activities stage by stage, analysing the activities and the subsequent reactions and repercussions, and reporting on them to the higher levels so that supplementary measures can be taken where advisable. On the basis of all this information, the results will have to be measured and quantified for evaluation purposes and related to the macro-economic framework established. As has been described above, operational planning consists, in the first place, of the establishment of an over-all framework, which involves the institutions listed in table 1, and in the second place, the establishment of detailed programmes, projects and instruments by the various administrative units.

Table 2, indicates the different agencies involved in the operational phase as such.

4. The setting for annual indicative and operational planning

Annual planning is closely linked with medium- and long-term planning on the one hand, and with the government budget process on the other. Planning possibilities are to a large extent determined by a great variety of factors, including the forces emanating from political, economic, social and cultural structures. The relationship between these structures and their link with the public administration determine the way in which annual planning will operate in the country at any given moment.

In addition to these permanent determining factors, there are others which are purely conjunctural. These include a series of fortuitous circumstances, such as crises in foreign trade, changes in international relationships, wars and revolutions. There are also factors deriving from physical conditions, such as droughts, desasters, floods and earthquakes; and social factors, such as shifts in the power of social groups, growth of trade influence, strikes, stoppages, boycotts and social pressures.

All these factors may affect the process of both over-all and operational planning. The complexity of the structures referred to and the combination of conjunctural factors make it impossible to guarantee that planning will operate normally, and this represents a considerable obstacle to long- and medium-term planning.

B. ADMINISTRATIVE ORGANIZATION AND PROCEDURES FOR THE PREPARATION OF ANNUAL PLANS

Reference must now be made to the governmental procedures, methods, organization and structure that need to be established to make the process of annual planning possible.5

5 For a study of questions bearing on plan implementation and supervision see chapter V below, “Control of Operational Plans, Programmes and Projects” (ST/ECLA/Conf.30/L.4).
Table 2
STAGES OF OPERATIONAL PLANNING AS SUCH AND THE INSTITUTIONS INVOLVED

<table>
<thead>
<tr>
<th>Ministries</th>
<th>Planning office</th>
<th>Department</th>
<th>Sections</th>
<th>Development agencies</th>
<th>Bank</th>
<th>Enterprises</th>
<th>Control agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>1. Diagnosis and prognosis of the situation</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>2. Establishment of microeconomic objectives</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>3. Analysis of instruments</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>4. Plan for application of instruments</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>5. Study of phases of operation</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>6. Decision on agent applying instruments</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td>7. Study of impact on passive agent</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td>8. Analysis of possible reactions</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>9. Analysis of possible repercussions</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>10. Definition of results</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<table>
<thead>
<tr>
<th>Ministries</th>
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<th>Department</th>
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<th>Control agencies</th>
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<tr>
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<td>X</td>
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<td>X</td>
<td>X</td>
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</tr>
<tr>
<td>1. Feasibility study</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>2. Approval</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

B. Discussion and approval

C. Implementation

<table>
<thead>
<tr>
<th>Ministries</th>
<th>Planning office</th>
<th>Department</th>
<th>Sections</th>
<th>Development agencies</th>
<th>Bank</th>
<th>Enterprises</th>
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<td>Ministry</td>
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<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>1. Application of instruments</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>2. Action of agents applying instruments</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>3. Appraisal of reactions</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>4. Supplementary measures</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>5. Measurement of results</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

D. Control and evaluation

<table>
<thead>
<tr>
<th>Ministries</th>
<th>Planning office</th>
<th>Department</th>
<th>Sections</th>
<th>Development agencies</th>
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<td>Ministry</td>
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<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>


1. *Time schedule for the preparation of the annual plan*

The first stage in the annual planning process is the preparation of an annual indicative plan. Several months before the plan implementation period begins (perhaps in May of Year 0), some idea should have been formed of the possibilities of attaining the targets set for the period in question under the medium-term plan. One of the aims of the annual indicative plan is, of course, to determine the approximate share of the various economic units in plan implementation. To that end, an indicative economic budget should be available at the aggregate and sectoral levels, containing, *inter alia*, data on national income and the national product, consumption, investment, the part played by the government, and the role of the external sector. Sectoral data should be prepared for key economic and social sectors such as agriculture, industry, transport, housing, etc. All this background information should be supplemented by projections of public sector activities, with particular regard to public income and expenditure levels in the programme budget. This is very important, since in practice the annual indicative plan constitutes the over-all framework for the formulation of the public sector budget. The foregoing instrument must be complemented by monetary, financial and foreign trade guide-lines. The annual indicative plan will of course have to put forward options on which short-term policy decisions can be based.

At this stage, several of the instruments of indicative planning are used. Indeed, at the start of an operational planning process, the annual indicative plan is based on a perspective plan (medium- or long-term).

Once the most suitable option has been decided upon, the way is open for the preparation of the annual operational plan. Between May and September in Year 0, the annual operational plan that will in force during Year 1 should be formulated. The first step might be to establish the framework within which the economic units will have to act in co-ordination; and to make it easier to ensure compatibility between their activities, the plan should be based on an over-all and sectoral economic budget drawn up in accordance with social accounting methods.

The national economic budget should be broken down sufficiently to show the roles that will be incumbent on the public and private sectors. For the public sector, the operational instruments are the general government programme budget and the State enterprise budget. These must be broken down by sectors so that they can more easily be incorporated in annual plans. In addition, the programme structures should follow the outlines established in the medium-term plans, in order to facilitate co-ordination between the two instruments and comparison with each year’s actual achievements.

Table 3 outlines the time schedule for the preparation of the economic budget and the partial budgets. The latter are of various kinds (see table 4). As stated above, the general government budget — which also includes cash budgets to serve as a guide in the formulation of conjunctural financial policy, and programmes for the execution of public sector projects of key importance — is the instrument of action in this branch of the public sector and is supported by the public enterprise budget. The monetary budget in its turn forms part of the annual plan, and must include directives and specific targets for monetary
### Table 3

#### TIME-SCHEDULE FOR PREPARATION OF THE NATIONAL ECONOMIC BUDGET AND PARTIAL BUDGETS

<table>
<thead>
<tr>
<th>Date</th>
<th>Component</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>May Year 0</td>
<td>Annual indicative plan Year 1</td>
<td>To serve as a general frame of reference for the formulation of the fiscal budget and for ascertaining the possibilities of implementing the medium-term plan</td>
</tr>
<tr>
<td>September Year 0</td>
<td>Annual operational plan Year 1</td>
<td>To specify more precisely the action to be taken in the following year and the instruments to be used</td>
</tr>
<tr>
<td>Aggregate and sectoral levels</td>
<td>A. Budgets</td>
<td>To ensure compatibility of measures and activities</td>
</tr>
<tr>
<td></td>
<td>General government budget (excluding public enterprises), by sectoral programmes</td>
<td>To serve as a guide for the activities of the responsible institutions</td>
</tr>
<tr>
<td></td>
<td>Monetary budget</td>
<td>To influence the action of the public and private sectors by direct and indirect measures</td>
</tr>
<tr>
<td></td>
<td>Foreign trade budget</td>
<td></td>
</tr>
<tr>
<td></td>
<td>State enterprise budget</td>
<td></td>
</tr>
<tr>
<td></td>
<td>National investment budget</td>
<td></td>
</tr>
<tr>
<td>B. Decisions on activities of economic units</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private sector</td>
<td>C. Programme of economic policy and key projects for the private sector</td>
<td>To induce the private sector to assume responsibility for key investment projects</td>
</tr>
<tr>
<td>Resources</td>
<td>D. Estimated balances of human and material resources (distinguishing between the public and private sector)</td>
<td>To determine the resources to be used for implementation of the operational plan</td>
</tr>
<tr>
<td>Implementation programme for the year</td>
<td>November Year 0</td>
<td>Programmes for the execution of key public sector projects (a broader concept than that of investment projects) Monthly cash budgets for the public sector</td>
</tr>
<tr>
<td></td>
<td>May Year 1</td>
<td>Revised annual operational plan Year 1 Annual indicative plan Year 2</td>
</tr>
</tbody>
</table>

*The present table is based on one appearing in Informe del Seminario sobre Planes Anuales Operativos, op. cit.*
policy. Since financial policy is a related field, a breakdown of financial objectives by sectors and agencies should also be available.\(^6\) The foreign trade budget is another basic component of the operational plan.

Yet another important feature of the annual plan consists in the set of decisions that have to be adopted for plan implementation purposes. They relate essentially to short-term economic and social policy or operational policy, i.e., to tax measures, incentives and disincentives, customs regulations, price and wage fixing, authorization to install new industries, import and export regulations, etc. Key projects for the private sector are also among the components of the annual plan, and really represent direct inducements to the private sector to assume responsibility for undertakings connected with the production and marketing of goods and services.

Lastly, the annual plan must contain estimated balances of human and material resources, distinguishing between the public and private sectors. These are necessary tools for ascertaining, on the one hand, the level and composition of employment of manpower, and, on the other, the use to be made of goods and equipment required for the implementation of the plan.

The instruments referred to should be prepared in Year 0, in the month of September, with the exception of the programmes for the execution of public sector projects and the cash budgets, which are drawn up in November of that same year.

In May of the following year (Year 1), when the annual plan for Year 1 is already in operation, it should be revised, and another cycle should be started with the preparation of an indicative plan for Year 2.

2. Organization for annual planning

Organization for annual planning is not a substitute for the structures set up in a number of countries for planning and budgeting purposes. On the contrary, it strengthens them and brings them into line with each other, making it easier for them to work better as part of an organic and consistent whole. In many instances, it is hardly an innovation, since many of the requisite instruments and decisions have already been established. Cases in point are systems of national accounts, monetary budgets, foreign exchange budgets, etc. It often happens, however, that these instruments operate in isolation, and therefore not on a co-ordinated basis. Consequently, they fail to ensure the compatibility of the measures to be taken. Herein lies one of the merits of annual planning: it is a means of promoting the co-ordination and consistency of the activities of the economic units in relation to plan implementation.

Annual planning, however, entails changes in the administration and in its procedures. To that end, the starting-point should be the formation of a team to be responsible for the annual plan. This group should guide annual planning activities in the agencies concerned in the process, facilitate the participation of

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\(^6\) See Latin American Institute of Economic and Social Planning, “Algunas consideraciones sobre la programación monetaria-financiera de corto plazo” (INST/S.1/L.1), September 1967.
the private sector, promote a thorough overhaul of certain routine procedures, and encourage the establishment of new channels for decision-making, reporting and control within the over-all planning process.

For the operation of planning systems in Latin America, central, sectoral, institutional and regional planning agencies have been established. In most cases the central agencies have taken the form of national planning councils or central planning offices, and are generally to be found at the highest institutional level, i.e., attached to the Office of the President of the Republic. These agencies have mainly assumed responsibility for long- and medium-term planning. As an exception to the rule, in a few countries — Costa Rica, Panama and Uruguay, for example — they have also undertaken short-term planning (annual plans and budgets).

Most of the sectoral agencies (planning offices for agriculture, industry, etc.) are directly subordinate to the ministries responsible for the sectors concerned,
and their function has been to give advisory assistance in the formulation, discussion, execution, control and evaluation of sectoral development plans.

Lastly, the purpose of the regional planning offices is to take charge of planning for specific parts of the country concerned. The development of such offices in Latin America has become an increasingly urgent need, since it is essential to draw new areas and communities into the development process and to prepare plans on a regional basis. In some instances these offices are directly attached to the central planning agency, in others they have been set up as component units of regional development corporations as in the case of the Department for the Development of the Nordeste (Superintendencia de Desenvolvimento do Nordeste) in Brazil and the Andes Corporation (Corporación de los Andes) in Venezuela.

As regards organization for budgeting, central budget offices in Latin America are usually under the authority of the Ministry of Finance. In some countries, however – Brazil, Costa Rica, the Dominican Republic, Ecuador (for a few years), Panama and Uruguay – they form part of the central planning offices. Sectoral and institutional budget offices are either directly responsible to ministries or included in administrative departments. Sometimes they are attached to the sectoral planning offices (to those of the agricultural and housing sectors in Chile, for example).

In certain countries the above-mentioned planning and budget agencies have played a more or less preponderant part in the annual planning process. There are many instances, however, in which there has been too little communication to ensure the consistency of short-term policies, partly owing to the lack of linkage with the central banks, credit banks, development corporations, Ministries of Economic Affairs and other similar institutions.

Although in some cases the central budget offices have influenced the formulation of short-term budget policy, they have not succeeded in establishing compatibility between the budget instrument and monetary or foreign exchange budgets, and have therefore not secured consistency of action. Monetary policy has been formulated and implemented by the central banks, and in many cases has not been properly co-ordinated with production, finance, budget, price, wage and other policies. The central banks have also intervened in foreign trade matters, even where special agencies exist for this branch of economic activity.

In some countries the co-ordination of monetary, financial and foreign trade policies is attributable to special circumstances which have laid the responsibility for all three on a Minister of Finance. In the field of price fixing and control, which is another variable of great importance over the short term, it is the Ministry of Economic Affairs that has taken action. Wage policies have been in the hands of the Ministry of Labour, although the Ministries of Finance and of Economic Affairs may have had something to do with them. Tax policies are generally established by the Ministry of Finance in the Latin American countries. The responsibility for production, employment and other sectoral policies is incumbent upon another set of specialized bodies.

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7 Inasmuch as at the same time he has held the office of President of the Central Bank, Minister of Economic Affairs, etc.
To sum up, many agencies are concerned in short-term policy, but their activities are often insufficiently co-ordinated to form a consistent whole, within the framework of medium- and long-term development policy. Hence the need to co-ordinate short-term action on an institutional basis, i.e., to adapt systems and establish machinery for the annual planning process.

In the first place the necessary organizational changes should be introduced to enable the central planning agency to take the lead in annual planning. A team might be set up, whose members were engaged in official activities bearing on the short-term planning process.

This annual planning group or committee might be formed by representatives of the central bank, of the foreign trade agency, of the central planning office (the national accounts institution), of the central budget office, of the agencies concerned with prices, wages and production and, in short, of all official staff taking part in short-term action.

To which administrative department such a committee would be answerable, and under whose direction it would operate, would depend upon the structure on the national administration and the location of the decision-making centres. If, for example, the planning office is responsible for annual plans and forms part of a high-level decision-making centre, a committee on annual planning could act as an advisory agency of the Planning Council (which is usually under the direction of the President of the Republic). On the other hand, if the responsibility for short-term policy rests with the Ministry of Finance, the committee could be headed by the Minister of Finance and assist him in an advisory capacity. No single procedure can be recommended for adoption in all situations.

The committee on annual planning will need a very small team of specialists in each of the short-term fields: monetary policy, finance, foreign trade, prices, employment, etc. Needless to say these specialists will not replace the permanent operational units; their function will rather be to co-ordinate these and see that their lines of action are compatible. The team will be in constant contact with ministries and agencies taking part in the formulation of short-term policy.

Another very important point is that the private sector should be consulted by the committee on annual planning. To that end, a private sector consultative group might be constituted. This procedure is a necessary safeguard against the possibility that if the private sector does not play an integral part in the formulation, implementation, supervision and evaluation of annual plans, any attempt to co-ordinate short-term economic action may be frustrated.

For the purposes of sectoral, regional and institutional organization for short-term planning, an essential step would be to establish proper channels of communication with the central operational agencies, and to institute the functions and provide the personnel required for integrating the activities of all participants in the annual planning process.

3. Operation of the committee on annual planning

As pointed out above, the basic tool of annual planning is the annual indicative plan. This should be prepared by the committee on annual planning,
on the basis of data furnished by the institutions and agencies directly concerned in short-term action. In theory, it would be advisable for the following bodies to co-operate in the formulation of the plan:

(a) The national accounts and national statistics offices;
(b) The central planning offices;
(c) The budget office;
(d) The central bank;
(e) The credit banks.

One of the functions of the committee on annual planning would be to co-ordinate the preparatory work for the formulation of the annual indicative plan, using the following basic data:

(a) The national product and income sections of the national accounts;
(b) Balance-of-payments data;
(c) A simplified table of sources and uses of funds;
(d) Financial balances of the public sector;
(e) Monetary and credit statistics;
(f) Wage and employment statistics;
(g) Human resources statistics.

These data would provide the material for short-term programming models, which would facilitate the determination of variables in relation to the short-term activities of the different economic units. The annual indicative plan recommends that various alternatives be considered, thus making it easier for the authorities to choose the best possible course.

The following are the most important items on which the committee on annual planning might present data for the purposes of selection of the policy option on which the annual operational plans will be based:

(a) Changes in the gross domestic product;
(b) Consumer price levels;
(c) Employment and unemployment levels;
(d) Level of external indebtedness;
(e) Salary and wage levels;
(f) Public and private saving and investment levels;
(g) Level of public income and expenditure;
(h) Sectoral production levels;
(i) Basic investment projects, by sectors.

This information will pave the way for definition of the alternative courses open to the political authorities (the President, the Council of Ministers and the Planning Council). Thus begins the preparation of the annual operational plan proper.

The planning and budget agencies must take part in this stage of the proceedings, since they have to draft the fiscal budget for Year 1, which must be adopted before 31 December in Year 0. In order to prepare the budget, the executing units must thoroughly acquaint themselves with the operational approach, and above all with the sectoral breakdown of budget programmes. During this phase, care must be taken to see that the programmes really do
reflect the sector's objectives and targets, and that they fall within the areas demarcated in the medium- and long-term plans. The parts relating to private sector activities will be formulated with the advisory assistance of the consultative units which organization for planning comprises. At this stage, more intensive use should be made of direct consultation and surveys in specific sectors and branches of activity.

It would be advisable for the committee on annual planning to have at its disposal, before 1 September in Year 0, not only the draft economic budget at the aggregate level and the sectoral breakdowns, but also the draft public sector, monetary and foreign trade budgets. The next step would be for the political authorities to take cognizance of these budgets, upon their submission by the committee on annual planning, and to discuss the economic policy measures that it would be necessary to adopt. It should be noted that in some countries the annual plan has to be approved by the Executive even before the month of September, because the Legislature requires from three to four months to discuss and adopt the budget.

Since the public sector budget is a part of the annual plan, when it is submitted to Congress (the fiscal budget usually for adoption, and the budgets of decentralized institutions, State enterprises and local authorities merely for information), it should be accompanied by data which will acquaint the political authorities with the whole of the policy to be pursued. To that end, the tools listed in table 3 would have to be presented for information purposes.

The budget data should be submitted in the form of a consolidated public sector budget, broken down by sectors, and brought into line with development plans. Once the budget has been adopted by the Legislature, and whatever laws are required for putting the plan into operation have been passed, the measures for implementing its provisions should be revised. A budget execution programme should be drawn up, showing targets and resources for quarterly, four-monthly or other subdivisions of the budget period. It would comprise a cash budget and a time schedule for the execution of investment projects. Time schedules would also be prepared for the implementation of monetary, foreign trade, price, wage and other policies. Such sub-period programmes, besides going into still further detail as to the activities to be undertaken and the responsibilities to be assigned, serve as a control instrument, by means of which achievements can be compared with objectives and the factors accounting for success or failure can be identified.

The committee on annual planning would see that the agencies involved in short-term policy programmed the execution of their activities on the lines previously indicated. Where the public sector is concerned, the units responsible for the execution process must possess the facilities and powers they need in order to become promoters of annual action.

At this stage, systems of reporting and measurement of results should be brought into operation, so that information on the implementation of operational plans may be available. The same machinery and procedures as were established under the planning systems, on the basis of flows of information from the executing units to the sectoral and regional levels and hence to the central authorities, can be turned to account during this phase. Machinery for ascertaining what is happening in the private sector, however, will have to be set
up. Such information can be obtained from the private sector's representatives on consultative committees, and through direct contacts and surveys.

The committee on annual planning should periodically receive factual and financial data on budget execution, monetary matters, foreign trade, production, prices, etc., and should report to the political authorities so that they could evaluate and revise the relevant policies. During the second quarter of the operational plan year, a revised operational plan could be drawn up, if appropriate, and the work of formulating the indicative plan for Year 2 could be started. Thus a new cycle would begin.

4. Annual planning and the public administration

Operational plans are not merely annual planning instruments. They are the real mainsprings of the process of clarifying the organization and functions of the public administration and determining the contributions of the various economic units to economic development. Indeed, the characteristic feature of operational plans is that the responsibility for their implementation is assigned to fully identified administrative units or agencies.

It is for this reason that a prerequisite for annual operational planning is an improvement in the organization of the public sector. All sorts of problems arise in connexion with the capacity of the public administration in some Latin American countries to secure the satisfactory attainment of plan objectives. Operational plans should therefore include measures designed to perfect the public administration and incorporated in a consistent programme for adapting it to the needs of administration for development.

Accordingly, operational plans may contribute to the reorganization and strengthening of operational agencies, under whatever name they go — central services, decentralized agencies, local authorities, State enterprises, etc. — since in the plans the emphasis is laid on actual achievements.

While it is true that the private sector has a more substantive role to play in the preparation of medium-term plans, representatives of its economic units should take an organized part in annual planning, so that it can be quick to respond to the demands of circumstances. It should also be given the opportunity of participating in the control and evaluation of medium-term plans.
SOME ASPECTS OF ADMINISTRATION OF PROJECTS
WITHIN THE CONTEXT OF DEVELOPMENT PLANNING

By the United Nations Public Administration Division*

A. THE PROJECT AS A TOOL FOR DEVELOPMENT
AND DEVELOPMENT PLANNING

Improvement in project administration can make a significant contribution to the process of national development. This is true whether projects are considered as segments of an integrated plan of economic and social development or as individually conceived schemes for the achievement of specific purposes.

Public sector projects constitute a major element in the national development programmes of many countries. Although they are more common in such fields as construction, transport, industries, and resources development, they are used in practically every sector. A project may be large or small, limited or comprehensive in scope, capital or labour intensive as to production, or problem oriented; it may be limited to a specific sector or it may cut across a number of sectors. Common to all projects, however, are the following characteristics. First, a project emphasizes more immediate rather than very remote goals. A sense of urgency, either to meet specific needs and problems or to exploit opportunities that might be available at a given time, is the major source of impetus for a project.

It aims at the marshalling of resources and devising of methods to achieve these specific goals. In other words, a project by definition is action-oriented. Second, the substance of a project is non-repetitive. The kernel of the project concept lies in its application to other than routine activities of an organization or a government agency, for purposes of special emphasis and action. Thirdly, although a project may suggest specificity in its objectives and modus operandi, in fact projects frequently entail a certain degree of uncertainty. In the course of implementation of a project, it may be found that the initially conceived technical, economic and administrative dimensions are not valid or adequate and have to be revised to assure optimization of project results.

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Owing to these two characteristics, a project usually requires special administrative arrangements for the achievement of its specific objectives. The special administrative arrangements may involve creation of a new organizational structure, a new combination of existing organizations, and a substantial reform of the existing organization and administration. Frequently, a project involves separate but interrelated and interdependent activities which must be completed to achieve the objectives for which the project was instituted. This requires co-ordination of a large number of elements, which may necessitate creation of a new level of management or at least designation of clear locus of management responsibility within the existing organization for the realization of project goals.

The use of the project concept in development gives rise to certain administrative dimensions and problems which cannot be dealt with in a routine manner. It is common knowledge that a large number of public works and industrial projects take longer in construction and in reaching full production than originally estimated. The cost generally turns out to be much in excess of initial estimates. Some projects are slowed down and never make the anticipated contribution to national development. Projects in social and administrative fields frequently bog down, peter out or run into difficulties. Administrative deficiency and routine handling are among the important causes of such failures.

The purpose of this paper is to point out some of the major administrative aspects and requirements of development projects, with special reference to factors affecting their implementability and contribution to national development. Emphasis is placed on the role of the project concept in development administration, either within the context of over-all development planning or within the context of specific development efforts. This paper is part of the search for better tools of administration for national development. It is not, however, the purpose here to enter into the controversy of project approach versus over-all approach. Both approaches have a place in the analysis of development administration. In fact, the dichotomy between the two is more apparent than real. The main difference between the two is generally one of emphasis; they do not constitute different approaches to development. The importance of projects in the total national development differs from country to country. In many countries, projects are used only for the purpose of obtaining external financing and aid. They are required by the international banking institutions as an instrument for considering loans. In most countries, a large part of the development efforts are handled by existing organizations and agencies as part of their normal work, while only special development efforts are put on a project basis. In some countries, however, the development of certain major programmes (for example, land reform and agricultural development, industrial development, etc.) are put on a project basis to achieve greater impact and better results.

The term “project” is used in the following discussion as a generic concept. No attempt is made to classify the projects in different categories or to state the unique administrative requirements of different types of projects. The emphasis is on the common administrative elements of projects, irrespective of their size, sector or substance. These administrative elements should, mutatis mutandis, apply to all projects.
B. PHASES OF A DEVELOPMENT PROJECT

A development project has several phases. These may be roughly defined as:

(a) Conception;
(b) Formulation;
(c) Analysis and evaluation;
(d) Approval;
(e) Implementation;
(f) Reporting and feedback;
(g) Transition to normal administration;
(h) Evaluation of results.

The different phases of a project are not necessarily sequential or separable. Two or more of the phases may be underway at the same time and influence each other. This, in fact, is true in most cases. However, for purposes of analysing the administration of development projects, it is desirable to discuss them separately to bring out their specific institutional and administrative problems. While some of the administrative and institutional aspects are pertinent to all phases of project administration, others may be unique and peculiar to a particular phase. Difficult questions arise about the timing and scheduling of different phases. Responsibility for different phases of a project may have to be entrusted to different organizational entities, thus raising questions of division of tasks and appropriate administrative arrangements for carrying them out, on the one hand, and coordination of all the tasks in pursuit of the given objectives, on the other. Accordingly, administrative aspects of development projects can be better understood by analysing them in terms of individual phases in the context of the overall project.

1. Conception

Most projects originate in existing departments or organizations, including the central planning agency. Even when impetus for a new project comes from outside sources, a department or organization usually has to adopt the idea to start the life cycle of a project. Suggestions for new projects from outside the agencies may come in as general or specific ideas. These may come from legislative bodies, political parties, political leaders, specialized institutions or from the public at large. Normally an existing government department or agency concerned with the function involved (for example, agriculture, health, education or industry) is the organization to process the ideas. In exceptional cases, especially those cutting across a number of development functions, a special committee or commission or working party may be formed to consider an idea and to transform it into a meaningful project for national development.

Many organizations in the developing countries are at present not geared to generate their own ideas or to process external ideas as the basis for new projects. This may be due to their preoccupation with day-to-day work or to their non-developmental orientation. In any case the result may be the initiation of projects on the spur of the moment, or the adoption of whatever ideas for
projects may be available without careful analysis of their merit vis-à-vis other ideas for use of the same resources. Such projects may turn out to be highly realistic and important in terms of their implementability and contribution to national development; but they may often result in misapplication of effort and resources. At other times, resources may remain idle or unavailable because of the lack of well-conceived projects.

An analysis of the practice of planning in developing countries has brought out the paucity of well-conceived projects. This may well have been one of the reasons for the poor record of implementation of development plans. The planning agencies in some countries have tried to remedy the situation by undertaking themselves the initiation and preparation of projects. This is not always a satisfactory solution because the implementing agencies may not give their whole-hearted support to projects which they feel have been thrust upon them.

The lack of well-conceived projects is also a hindrance to the overall national planning process. In the absence of projects, planning will remain too general and too aggregate to allow verification of its validity and to provide a concrete basis for its implementation. The national planning process, at least in ideal terms, implies determination of alternative uses of resources to realize desired objectives with the highest ratio of benefits to costs. Aggregative economic planning and economic programming are the basic exercises meant for this purpose. Development projects can provide the information to make these exercises meaningful and practical. As stated in a United Nations document, projects are “a link in the process of successive approximations involved in the technique of programming and an important element in the flexibility and continuous revision of the programme”. Over-all planning inevitably includes a number of broad hypotheses and statements of probable outcomes. The formulation of projects can provide the information to test the hypotheses by analysing the availability of usable resources for specific purposes and also the validity of expected results.

It should be borne in mind that project formulation is often a costly exercise, especially in fields such as resources development industries and transport. This is true even of preliminary studies of projects. On the one hand, over-all planning based on well-conceived projects would entail the preparation of a much larger number of projects than would ever find a place in the development plan. The number of variables and of possibilities in the effective utilization of resources for national development is so great that the preparation of projects to provide the basis for choice can in theory become an endless exercise. On the other hand, this preparation is an important tool for imparting realism and validity to national planning, and for providing the bricks and mortar for building the over-all edifice. At this stage of planning, while preliminary studies would have been completed for certain projects, a large number would remain at the “idea” stage with only technical comments available.

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The task of limiting the number of preliminary studies required for this stage can be made manageable by developing well-defined criteria that will regulate preparation of projects on a comparable basis, both within a sector and among different sectors. The following additional points will help, in practice, to keep the preliminary studies down to a reasonable number:

(a) To the extent that a country has developed information on its usable resources and environment, usually through surveys, it will have information on the major alternatives available for utilization in the context of its national ideals and aspirations;

(b) In an ongoing administrative system, experience would have already indicated the important variables pertinent to development planning and the possible projects that can be prepared;

(c) The projects do not have to be prepared in detail at this preliminary stage.

While a warning has been given regarding the cost involved in making preliminary studies, it should also be mentioned that a project idea on which preliminary work has been done, but which is not included in the plan or approved for implementation, is not necessarily a waste of time and resources. If it is rejected because of its unsuitability in terms of national development criteria, this would avoid the ill-judged allocation of resources. If it is postponed because it is judged to be of low priority, it may still be useful at a later date. The feasibility of a project should be determined not only in terms of the project itself, but also in terms of possible alternative uses of resources. In other words, a project can be economically acceptable if there is no other project which would be more profitable for achieving the same objectives.

In some of the industrially developed countries, conception of projects is facilitated by research and development (R and D) departments both in the public and private sectors. R and D is now a well-recognized part of the activities of many ongoing industrial concerns in these countries. In fact, R and D is fast becoming one of the determinants of the value of the stock of a corporation in free enterprise economies. R and D departments, under one name or another are also becoming a major element in non-industrial public affairs. The need to equip government departments to carry out such functions is particularly great in developing countries which are trying to accelerate their economic and social development through planned use of their resources.

The availability of well-conceived projects and the initiation of work on their formulation simultaneously with the initiation of the formulation of plans will improve their implementability. By the time a plan is finalized and approved, enough projects should be available to go into the implementation phase. In this connexion, it is important to point out that the relationship between planning and implementation is not so much sequential as cyclical. Projects are the link in the process of development planning, including formulation of plans and their implementation. The reciprocal relationship between over-all planning and projects is a strategic factor which has not received enough attention. This factor ought to be recognized and reflected in development administration. Among other things, this relationship underlines the co-operative nature of planning in which the central planning agencies and all the other agencies concerned with
specific sectors, programmes and projects have to participate actively. A natural corollary to this is the need for developing a planning and programming capacity in individual departments and agencies of government. The departments which bear the brunt of development (for example, industries, transport, agriculture, health and education) must have organizational arrangements and qualified technical staffs capable of identifying, evaluating and preparing viable projects and of managing them effectively when approved. It may not be incorrect to say that part of the weakness of the present plans may stem from too much emphasis being placed on central planning agencies and not enough attention being given to departmental planning, including recognition of planning as an essential task of management at all levels.

2. Formation

Once preliminary work has been done and a positive decision has been taken on a project idea, its formulation in greater detail becomes necessary. At the conception stage the project may be only an idea with rough estimates or preliminary studies of its desirability in terms of national needs as well as its possible cost and likely benefits. At the formulation stage, it has to be spelt out in greater detail and more specific terms, in order to enable the decision-making bodies to evaluate it and to approve (or postpone or reject) it. The formulation phase should lay the foundation and provide the blueprints for all other phases of project implementation and project administration.

The content of the prospectus or the proposal of a project will depend on national administrative practices and the processes of national and sectoral planning. The standards are generally set by central agencies which have authority to approve the projects. In some cases a project statement may include only data considered pertinent to allow appraisal of its economic merits. In others it may also include a technical description of the project. In technical fields such as resources development, industries and transport, feasibility studies are undertaken at this stage. Sometimes a project proposal will deal with the relationship of the project to other projects within and outside the sector. Occasionally, project formulation may include its budgetary implications at this stage although the general practice seems to be to relegate this aspect for subsequent action as part of the process of getting project approval. Rarely are the administrative requirements for the implementation of a project included in its prospectus.

Several issues arise concerning the formulation phase of projects and the related studies which must be completed for their preparation. A codification of experience in this respect would be useful. Some of the administratively significant questions revolve around the timing of the formulation of different aspects of a project, the degree of detail in which each aspect must be prepared by a given time, use of consulting firms in the preparation of projects, and the involvement in the preparatory phase of those who are eventually to be responsible for project administration.

The first issue to be faced in the formulation phase is how comprehensively the project should be formulated. Comprehensive project formulation would
include preparation of a detailed prospectus of the project giving its economic, technical, financial, organizational, managerial and other administrative aspects. The prospectus would include elaboration of different activities which must be carried out for the execution of the project, and the time dimensions. This would require identification of temporal interdependencies and providing for them. Another approach would be to prepare the different aspects of the project formulation when actually needed. For example, the project may be formulated in terms of its economic implications for submission to the planning agency. If approved by the planning agency, the project may then be prepared for obtaining budgetary approval. This may be followed by technical preparation of the project. After all these aspects have been completed, attention may be given to the administrative requirements for its implementation. Those in favour of this approach would argue that if the processing of a project has to be postponed until all the required information has been prepared, there may be considerable delay in the project’s approval and execution. The counter-argument is that comprehensive formulation, which would mean preparing information on all aspects of a project simultaneously as an integrated whole, though time-consum ing initially, will actually reduce delays in the subsequent phases, improve the utilization of scarce resources, and reduce the risk of miscalculation.

Part of the problem lies in the format of the prospectus. It frequently happens that information in respect of a project is developed and presented for a specific purpose and only on specific aspects. This information is not readily usable for other stages unless it is recast and supplemented with additional facts. Ideally, the project format should meet the needs of economic, physical and technical planners, on the one hand, and of administrators, and budget directors and managers, on the other. The need, therefore, is for a project format which would serve all these purposes, or at least allow the use of already available information for subsequent operations.

The initial work of formulation is closely related to the conception phase of a project and is done mostly by a government department. The department concerned is required to submit information on the location, cost, period of construction, manpower and materials required, and financing of the project. This information provides the basis on which decisions on special surveys can be taken in connexion with the proposed project and the desirability of appointing personnel or consultants for the preparation of the feasibility studies can be considered. Depending upon the nature and magnitude of the project and available talent in the government, particularly for projects in the industrial sector, governments may find that they have to engage consulting firms specializing in the formulation of projects. In order to facilitate the initial work required of the department and the supervision of the formulation of projects by consulting firms, it is important that the departments should have trained personnel to carry out these tasks. For certain highly technical projects, the use of consulting firms may be inevitable for a long time to come. Nevertheless, administrative ability needs to be developed in the government departments to deal with such firms and to supervise their work.

The administrative dimensions of the project, as pointed out earlier, are generally conspicuous by their absence at the formulation stage. This is due partly to the predominance of economic and technical feasibility considerations.
in formulation projects and partly to the lack of appreciation of the administrative dimensions. The preparations for the implementation of a project entail many decisions on administrative arrangements. It must be decided whether the project should be implemented by one of the existing government organizations or by a newly created agency. What kind of administrative measures or reforms will need to be undertaken to assure the success of a project if an existing agency is to implement it? A decision must be taken on whether a special task force or a special project personnel unit under a project manager should be established within the existing agency and, in the latter case, whether there should be separate personnel arrangements for the project personnel. If a new agency is to implement the project, what kind of organization should be established? Questions arise regarding categories and the number of personnel required, their availability and method of recruitment, training in skills which are not readily available and all other matters related to personnel administration. Training is a major dimension and should find a place in the project formulation. This would be particularly desirable for major projects which require a large number of trained workers in scientific, technical and managerial fields. If an analysis of the manpower requirements is made at an early stage steps for training the required personnel can be initiated. In highly technical fields, projects may also be implemented by qualified firms with whom contracts can be made.

Equally important administrative questions pertain to the scheduling of project activities, procurement of inputs, co-ordination with other interrelated activities and a system for review and evaluation of progress. When the output of one project is to constitute the input of another, attention has to be paid to the co-ordinated scheduling of activities of both to avoid waste of effort and resources. Careful planning of these aspects will not only eliminate delays but also assure efficient use of scarce resources.

The feasibility studies in fields such as industrial and resources development or transportation, which are often undertaken by consulting firms, have mostly dealt only with technical and economic feasibilities. The time has come to make administrative feasibility part of such studies. The administrative questions mentioned above, including the availability of technical and managerial personnel, should be part of the administrative feasibility studies.

Frequently, a project may have to be formulated by one agency and implemented by another. This is especially true if the formulation is undertaken by a consulting firm. In such cases, it may be worth while to involve the agency which is to be responsible for the implementation of a project in its formulation. Some organizations follow the practice of appointing a project manager to be associated both with the formulation and with the implementation of the project. The project manager is thus able to bring forward, from the beginning, considerations bearing on the implementability of the project. In turn, his association with this phase gives him a better understanding of the different dimensions of the project.

The above are only illustrative questions. The point that needs to be emphasized is that the administrative dimensions of the project should be an integral part of its formulation. To initiate consideration of the administrative aspects at this stage, would permit analysis and evaluation of alternative
arrangements for project administration, and crystallization of administrative steps for action by the time a project is ready to go into the implementation phase.

3. Analysis and evaluation

This is one of the most discussed phases of project administration. The discipline of economics has made a major contribution to the methodology of analysis and evaluation. Input-output analysis, cost-benefit ratios and market surveys are now well-known tools of management. In fact, the project concept has been used and discussed more by economists than by any other group. This has inevitably tended to give an economic definition to the concept. According to such a definition, the project concept comes to be applied to capital investment proposals and their economic analysis for purposes of making choices among them. The Manual on Economic Development Projects, for example, defines a project as "the compilation of data which will enable an appraisal to be made of the economic advantages and disadvantages attendant upon the allocation of a country's resources to the production of specific goods and services".2

From the point of view of over-all planning, such emphasis sounds logical. Also, as most of the major development projects involve financial aid and loans from credit institutions inside or outside the country and as banks (national and international) and most aid-giving agencies would normally prefer to finance specific projects, the "bankability" of projects tends to become the overriding consideration in their analysis. The appraisals of projects to determine their bankability may include some attention to their management aspects, but rarely gives attention to all administrative problems.

It is our contention that, while analysis and evaluation of projects along economic and technical lines are extremely important in providing the basis for allocation of resources, the administrative aspect is equally important. Since the administrative feasibility of a project does not often form a part of the over-all feasibility studies, those responsible for analysis and evaluation of a project submitted for approval should insist on having at their disposal all the pertinent administrative factors. It may be pointed out that the administrative arrangements proposed for carrying out the project under consideration will not only influence the performance of the particular project, but may also have far-reaching implications for the administrative system as a whole.3

Frequently, an aid-giving agency or a bank may lay down broad administrative requirements as part of the conditions for financing projects. This may also be done by national governments when financing the projects of the governments at lower levels, public corporations and autonomous organizations. Such conditions are often designed to safeguard the capital of the lending institutions and do not generally take into account the broader administrative aspects of project implementation.

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2 Ibid., p. xiii.
3 In this connexion due attention needs to be paid to the consequences of project administration on the general administrative environment.
There seems to be a great need to study and analyse both the administrative factors relevant to the success of project administration and the consequences of such factors for the general administrative performance in a nation. This should permit the development of guidelines which throw light on the desirable administrative requirements of a project and which would contribute to general administrative improvement at the same time, or would at least avoid adverse effects.

Organizational arrangements for the implementation of a project are one of the major administrative problems. There is generally a tendency to create special organizations for project administration. This is not unnatural, since, as indicated above, the purpose of projects is the achievement of specific objectives. This may also be inevitable because there may be no organizations in existence which can carry them out, or the existing organizations may not be capable of doing so, unless a special task force or a special organizational unit is created as part of the existing organization. Personnel management is another major administrative problem. The availability of suitable personnel often decides the success or failure of a project.

It is important to relate the administrative problems of a project to the over-all administrative situation. Failure to analyse the administrative implications of the project in the context of over-all administrative problems and requirements may mean dislocation of administrative resources and their uneven allocation to different sectors. The project by its very nature may get preferential treatment, thereby starving the rest of the administration in terms of qualified manpower and administrative leadership. Such a situation may eventually have adverse effects on the project itself. On the other hand, it may also be possible at times to use the project administration as an "island of excellence" which would radiate beneficial influence beyond its immediate scope and thereby generate administrative reforms in general. It is impossible to generalize at this stage, except to say that the analysis should take these factors into consideration.

Evaluation and analysis of projects is a specialized job. This is particularly true of industrial projects, resources development projects and major public works projects. Analysis and evaluation of such projects involve the use of highly competent skills in administration, economics, engineering and other related fields. Rarely can all these techniques be furnished by the existing organization for evaluating the project. There is a growing need to provide for the establishment of organizations and the training of staffs to perform this important function.

4. Approval

Every project proposal has to be approved by the competent authority or authorities before it can be implemented. Approval may have to be obtained from several agencies, such as the administrative department or departments concerned with the subject areas in which the project falls, a planning agency, budget authorities, the cabinet or similar executive organ, and/or legislative organs. Approval may also have to be obtained for different phases of a project
in connexion with different over-all processes of administration. For example, a project which has been approved in principle as part of the formulation of a national or sectoral plan may have to be subsequently approved for inclusion in an annual development plan and annual budget. Again, the legal, financial, technical and administrative aspects of a project may be approved by agencies concerned as part of a single process or require separate action on each. As development projects frequently involve investment of capital, allocation of foreign exchange and use of scarce resources, organizations concerned with these questions also have to give their approval.

The phases of the project prior to approval should, in principle, generate adequate information for obtaining the sanction of different authorities. In practice, the preparation of projects leaves much to be desired from the point of view of the approving authorities. Some countries do not allow any new schemes to be included in their annual plans and budgets unless such schemes have been worked out in detail and there is reasonable assurance that the requisite resources are available for their completion as scheduled.

The approval of a newly formulated project should be contingent not only upon the adequacy of the effort invested in the above-mentioned preparatory phases, but also upon the comparative merits of the specific project in competition with other possible alternatives. The acid test that the candidate project has to meet is that it must emerge from the process of choice among alternatives as offering the best claim upon scarce resources. Indeed, a major weakness of the project-by-project approach is that it may limit the scope of this competitive testing by focusing on only one or a few alternatives at a time.

The major test of the soundness of the approval process is the extent to which it provides for a rational choice as between sound alternatives. Unfortunately, on several occasions, it has been observed that the approval process is undermined by bargaining between the project-initiating and the project-approving agencies. In such cases, the pattern of relations emerging, such as those between the project-initiating departments, ministries or agencies and the project-approving authorities and central planning organization, may not represent a significant departure from the traditional pattern of relations between the Treasury or the Finance Department and the other government departments.

A bias in favour of import substitution projects and also of prestige projects has characterized the first development plans of a number of countries. Among other things, this bias reflects the weaknesses of the organization and process for identifying and analysing alternatives. Export-based projects call for a greater input of effort for marketing research and the same is true of projects based upon the expansion of domestic demands. Again, projects based upon the comparative advantages of resource endowment necessitate adequate survey machinery. Considering these weaknesses in the mechanism of searching for new investment opportunities, the range of competing alternatives tends to be limited; import substitution projects and politically strategic projects are often not confronted with genuine competition from soundly conceived "economic" projects.

Under the manifold pressures for accelerated action, the approving authorities often have to take hasty decisions. The inherent tendency is to settle for
the second or the third best of possible alternative packages of projects. At the same time, the central planning or budget agency may find it politically difficult to question the validity of the expected developmental results of the project package presented by a specific ministry or government department. The many-sided tensions observed between the central agencies and the different ministries or departments testify to the difficult problems in this area.

The process of approval discussed in the preceding paragraphs can be considerably improved by the articulation of national goals in operational terms. This is not an easy task, particularly because there may be conflicting goals which have to be reconciled at times. Nevertheless, a clear statement of the criteria for the selection of projects will substantially improve the process of approving at least the largest projects for implementation.

In procedural terms, it is desirable to structure the approval process in such a way that it takes the minimum time and yet allows thorough consideration of all the aspects by the approving agencies. A device which has been found useful by many countries is the appointment of working parties. Such working parties include the representatives of all the departments concerned with different aspects of the project and also those who are to give approval. The planning agency generally serves as the secretariat of the working party. Consideration of a project proposal by the working party shortens the time span required for the project’s approval by the executive branch of government and also enables the participants to raise and answer questions and gain a better understanding of each other’s positions.

Another important issue in the approval process is the degree of scrutiny to be undertaken by the approving agencies, and particularly by the budget authorities. In order to exercise financial responsibility, the finance ministry may feel that it has to scrutinize every detail of the project. Such scrutiny, although basically in financial terms, affects the technical and management aspects of the project, as financial, technical and management considerations cannot be completely differentiated from each other.

Financial management has been the subject of administrative reform in many countries. The objectives of such reform is to ensure adequate financial control on the one hand and to allow the desirable flexibility for management on the other. Many countries initially resorted to the expedient of entrusting public enterprises or special authorities with the administration of major projects. In most cases, the creation of such entities was as much the result of the specialized nature of the projects as of the desire to get away from the traditional controls exercised by the ministries of finance. The procedure has hardly been a complete success.

Some of these problems can be solved by the adoption of performance budgeting. Whereas performance budgeting may not be readily applicable to the totality of government operations for various reasons, most projects lend themselves to its application. The adoption of performance budgeting for projects can improve the process of budget approval by emphasizing expenditure in terms of results and leaving enough flexibility for the use of budgeting as a tool of management.
5. Implementation

Some of the administrative factors pertinent to project implementation were pointed out earlier in this paper, especially in the sections on formulation and analysis and evaluation. As no attempt can be made to deal with the subject of implementation in detail, the discussion here will be limited to certain of the more important administrative questions which call for special consideration, if speedy and effective implementation of a project is to be assured. Speedy and effective implementation is the basic criterion guiding the choice of administrative arrangements.

The foremost question relates to the organizational arrangement for implementing a project. A project may be undertaken by: (a) an existing organization without establishing a special unit to handle it; (b) a new special unit within an existing organization; (c) a new government agency; or (d) a contractor. Sometimes a project may have to be split up for implementation, partly by existing and/or new government agencies and partly by contractors. The kind of organizational arrangement to be made depends partly on the nature of the project and partly on the existing administrative machinery (including the personnel and efficiency of existing organizations). Each mode of implementation, while involving some identical consideration for the over-all management of the project, will pose different kinds of questions.

If the work is to be done by contractors, the government department concerned will have to develop and administer a system of contracts. The use of contracts is quite common in the case of industrial and public works programmes in mixed economies. Contract administration is a technical and complex subject. Though some developing countries in the past may have used contract administration for limited purposes, the magnitude and complexity of present-day development projects call for streamlining contract procedures and strengthening the capacity of government departments for effectively administering a system of contracts for the implementation of major schemes.

If a project is to be handled by a new government agency, then the questions which have to be settled include the type of agency to be established, the degree of autonomy it should be given, the degree of independence in relation to general government practices which it should be allowed in its personnel and other administrative arrangements, and the safeguards to be adopted to ensure accountability. One type of organization usually adopted for industrial and other productive projects is public enterprise. Problems relating to the organization and administration of public enterprises have been dealt with in some United Nations publications.⁴

Assuming that a project is to be administered by a government agency, especially when this is done under the alternatives (b) or (c) mentioned above, steps have to be taken to build the organization, to develop the operating

⁴ In particular, see "Report of the United Nations Seminar on Organization and Management of Public Enterprises" (ST/TAO/M/35), "Administration of public enterprises - Selected papers" (ST/TAO/M/36), and "Role of public enterprises in plan formulation and plan implementation in centrally planned economies" (ST/TAO/M/37).
procedures, to hire and induct the people into jobs and to schedule the various activities required for the implementation of the project. The overall framework for most of these activities may be provided by legislation or executive decrees authorizing and approving the project. Within these constraints, the building of the organization is the most critical stage in the progress of a project. The transition from the drawing tables to action will be more manageable if the administrative factors were carefully considered and adequately provided for in the preparatory phases of the project. Otherwise, the building of the project organization will be greatly handicapped. The task will be particularly difficult when a completely new organization has to be created rather than building on to an existing organization in order to execute the project.

The appointment or designation of a project manager for the project is the first step in building a new organization or adapting an existing one. The early appointment of the project manager, as discussed in the section on formulation, has been found to be highly conducive to success in the organization-building process. Having foreseen the actual requirements of the project, with time also to lay plans and line up top staff, the project manager should be able to proceed with the building of the project organization immediately upon approval of the project. In this connexion, the question of recruitment and selection of personnel assumes great significance. A basic question is whether the selection and appointment of personnel should be the responsibility of a central personnel agency. As the project manager is to be held responsible for the achievement of results, it is only fair that he should have the authority to build his own management team within the over-all standards laid down by the government. As a minimum, he should be associated with the selection of such persons if this is to be done by a central personnel agency. (At present, the common practice is to appoint an engineer or a technical person to serve as project manager of an engineering or technical project. A project manager with a purely technical background often lacks the administrative and managerial capacity to run a project smoothly. Even one with an administrative background may not have the training and aptitude to implement a project speedily and effectively. Therefore training in administration and managerial skills would be most desirable for all project managers. In this connexion, it may be pointed out that project managers should be selected from among persons who are dynamic, development-oriented and able to get things done quickly and effectively.)

The first task of the management team is to develop a detailed plan of organization and administration, including scheduling, budgeting, staffing, continuous evaluation, reporting, planning for contingencies, and the final transition stage. Most of the problems encountered in the implementation of a project can frequently be traced back to the shortcomings of these initial plans. The investigation of delays in a number of cases has consistently pointed to the lack of a detailed and realistic breakdown of the activities needed to implement the project, the assignment of realistic lead time, and the identification of the critical path involved in implementing the projects.

There are certain management techniques which are particularly relevant to the administration of projects and can be readily applied to remedy the
above-mentioned shortcomings. Among these, network analysis\(^5\) may be mentioned as an example. Network analysis and its different variations like the critical path method (CPM) and programme evaluation and review techniques (PERT)\(^6\) have found widespread use in the scheduling and administering of projects in industrially advanced countries and hold great possibilities for application in developing countries. Their use is not necessarily dependent upon the availability of computers, as seems to be the general impression. The basic principles of network analysis can be applied to management without the aid of computers.

Network analysis may be described as the blueprints for the management of a project. Put in simple terms, network analysis involves breaking up the project into activities and functions to be performed, studying the interrelationships between them, bringing out the causality of each activity and function, and fixing a time schedule for each, aimed at completing the project by the target date. There need not be a comprehensive network analysis in minute detail for the project as a whole. In fact, there is room for developing a hierarchy of networks according to the levels of management. The top management may use network analysis based on broad categories. The lower level of management can develop more detailed network analysis for its respective activities and so on down the line.

In the course of implementation of development projects, the frequency of unpredicted delays and bottlenecks is a significant part of the reality to be reckoned with. The real costs (especially social costs) of frequent delays usually remain unaccounted for or insufficiently accounted for. The investigation of these delays is usually undertaken with a view to fixing the blame and determining responsibility. Very infrequently this kind of investigation yields valid data on the real deficiencies in the implementation process. In fact, seeking scapegoats, "passing the buck", defensiveness and rationalizations are the most frequent responses.

Among projects implemented by a number of existing organizations, some have been held up simply because the activities involved in their implementation cut across a number of government departments. For such projects, it has been the practice to designate one ministry with over-all responsibility. However, this may sometimes cause resistance or lack of co-operation on the part of others. Whatever may be the status of the new project, lack of co-ordination and co-operation might cut it off from the supporting services of the ministries or agencies concerned. An inter-departmental "task force" has proved to be a commendable practice in some of these situations.

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\(^5\) For a definition, see the following paragraph.

\(^6\) Both PERT and CPM emphasize efficient performance and the temporal dimensions of a project. In its simplest form, PERT views a project as a total system and consists in setting up a schedule of dates for various stages of a project, and in exercising management controls, mostly through project status reports, on its progress. CPM is basically a technique to reduce the time required to implement a project. By breaking a project up into activities that must be undertaken for its implementation and by determining their time sequence, it is possible to isolate the most critical activities in the project and to compute the critical path schedule for their implementation. Network planning provides the basis for both PERT and CPM. In a way, these techniques have evolved from the Gantt chart method.
Beyond the inter-departmental and inter-agency factors, project administration is affected by its larger administrative, political and social environments. The project has to draw its inputs from these environments. In turn its output must be acceptable to the environments. The administrative environment of the project (i.e., general legislative, administrative, budgetary and personnel practices of the country) is directly relevant to the performance of a project. Enterprise and leadership in project administration may overcome some of the difficulties created by the administrative context, but this context is bound to impinge on project performance. In view of the fact that the larger milieu is an inevitable influence on project administration, planning for successful implementation of projects requires attention to environmental factors in addition to project administration itself.

6. Reporting and feedback

A system of reports and feedback is essential for the successful implementation of a project and its control by higher echelons of management, who in turn may have to report to legislative bodies. The reporting system has to be designed to serve several purposes. Most important of all, feedback is required to ensure corrective action during the process of implementation. Flow of communications throughout the organization provides the basis for management decisions and operational activities. Reports are needed to enforce the accountability of the different levels for both assets and performance. Budget ministries are interested in the rate of expenditures and in ensuring that spending remains within sanctioned limits. Substantive ministries, economists and planners expect data from the project which will help them in control, economic analyses and future planning. Legislative and political leaders may call for reports in order to perform their respective functions as watchdogs of the public interest.

The organizational structure and the use of management techniques like network planning will partly determine the reporting system. However, these will not automatically lead to the emergence of a reporting system which will serve all purposes. Establishment of such a reporting system will require special thought if it is to become a meaningful tool of management and generate information for other interested parties.

Traditionally, most of the reporting in government departments has been in terms of legal, budgeting and accounting requirements. These continue to be important in the case of projects but are not enough by themselves. An effective reporting system has to include several management considerations, some of which are as follows:

(a) The system should generate information which is available in time and is designed to be readily usable for decision-making;

(b) It should establish both financial and performance accountability;

(c) It should have a format which facilitates its use for more than one purpose;

(d) It should provide each echelon with the information it needs.
The reporting system can be abused if numerous reports at frequent intervals are insisted upon. Cases are many in which operating personnel have to spend a considerable part of their time in making out reports. Legislative bodies, planning agencies, budget ministries, statistical offices, economic research institutes, administrative departments, central banks, labour ministries, and financing and aid-giving agencies may all call for separate periodic reports. Frequently, these reports overlap and may still fail to provide some of the information needed. Constant analysis of reporting procedures and co-ordination of information needs of different agencies can result in simplification and better use of the system.

One reporting technique for management purposes deserves special mention. It is the establishment of a central control room which can be used both for individual projects and for larger programmes. The room visually indicates the schedule and magnitude of activities to be carried out under a project. It shows the timing of needs, anticipated availability of different inputs, expected rate of utilization of inputs and stipulated targets. Against these is shown the actual progress based on reports from the operating personnel. The maintenance of such rooms, if kept up to date, can enable the administrators to identify the trouble spots and to take remedial action. The design and use of a reporting system in conjunction with the central control room can serve the purposes of management and accountability.

7. Transition to normal administration

Certain projects, mostly in the industrial and resources development field (especially those taking the form of public enterprises) may retain their status as separate organizations. For others, once a project has been completed, it has to be integrated into the ordinary administrative system. In both cases the transition from the project — or institution — building stage to that of normal operation entails significant modifications and calls for special consideration. Yet advance arrangements for a smooth changeover are frequently neglected in practice. The transition cannot take place automatically and has to be planned in a systematic way to protect the investment and to assure a proper return on it. Some of the problems pertaining to this phase of project administration are organizational and procedural modification, reallocation of personnel, disposal of surplus assets, designing and installation of operating systems, removal of “bugs” in operations and provision of maintenance services.

The completion of a project often involves the dismantling of the project organization and transferring the management of the project to an existing or a newly established organization. A successful project will have created assets like dams, electric plants, industrial installations, irrigation works or roads. The maintenance and use of these assets often require organizational arrangements which are essentially different from those involved in their creation. In many cases, a network of new project organizations may be needed to exploit fully the contribution of new assets.

The dismantling of the old and the creation of one or more new organizations will make many of the personnel who had worked on the project
superfluous. At the same time, personnel with new skills may be needed. The project personnel, however, may represent a major reservoir of trained manpower which should not be wasted. Planning is needed to reallocate such personnel to other projects and to retrain them, as appropriate. Simultaneously, attention has to be paid to the recruitment, training and induction of the personnel who will manage the newly created facilities.

Like personnel, some of the assets will be released with the completion of the project. Construction machinery and equipment are generally the most tangible of these assets. Unless immediate action is taken with regard to their subsequent use, they may be forgotten and allowed to deteriorate without proper care. Some countries have established central machinery pools which, among other things, can take over such assets and make full use of them on other projects.

The management of a newly completed project calls for a wide array of operating systems. Normal operating systems and procedures may be applied or adapted if the substance of the project is to be administered by an existing organization and happens to be identical with its ongoing concerns. Even in such cases, changes in the magnitude of the functions of the organization may require that the administrative capacity of the organization be strengthened. In other cases, new systems may have to be designed and installed. This is particularly true of public enterprises. Relationships between the enterprise and the government authorities have to be defined and arrangements made which will enable the enterprise to operate effectively in the context of public accountability. Systems have to be designed for functions such as procurement of required imports of materials and components, management and control of inventories, setting-up of production schedules, pricing of goods and services, enforcement of quality and cost controls and administration of labour relations. These and other related functions are normally absent from the routine activities of government departments and may tend to be neglected in the case of public enterprises, with dire consequences.

When a completed project is actually put into operation, it may be discovered that there are some deficiencies in the equipment which have to be remedied; or unforeseen developments may necessitate adjustments to the project to optimize its use. If meeting these contingencies involves complicated procedures (e.g., for getting authorizations from different agencies), operation of the project may be considerably delayed. The expeditious handling of such contingencies should be considered an integral part of the project implementation stage if subsequent difficulties are to be avoided.

The limited experience available in the administration of projects in the context of development planning also indicates that the authorities responsible for their implementation sometimes fail to provide for the maintenance of assets after their creation. This is more likely to happen in the case of buildings and other public works in sectors like health, education and recreation. Failure to provide for maintenance may result in the rapid depreciation of these assets. It may also mean that the initial planning in terms of financial requirements was faulty because it did not include maintenance costs, which can be a significant proportion of the actual investment.
8. Evaluation of results

Evaluation of results achieved in a project is required if the full benefit is to be drawn from the experience. For example, some empirical investigations in certain countries have revealed a uniform pattern of errors of over-estimation and under-estimation in post-implementation costs and benefits as compared with the pre-implementation estimates. A cross-section of industrial development projects was selected in a country with a view to making this comparison over a five-year implementation period. The findings indicate a tendency to over-estimate the contribution to export proceeds and the savings attendant upon import substitution as compared with what the actual contribution turned out to be. Also there has been a consistent tendency to under-estimate the foreign exchange requirements. Worthy of special note is the fact that the indirect import requirements were grossly underestimated, especially in programming on a project-by-project or a sector-by-sector basis. This has subsequently proved to be the most serious bottleneck blocking plan implementation. The period required for the project to enter into economical operation, or to reach the break-even point, has also been consistently underestimated.

It is true that unforeseen developments can sometimes upset the estimates and time schedule of a project in the course of its implementation; but the significance of the above-mentioned research findings lies in the frequency and consistency of errors of over-estimation and under-estimation. This can often be explained in terms of the concern of projects formulators to meet criteria established for obtaining project approval, and of the absence of an independent validation mechanism. A post-mortem evaluation of projects can reveal the weaknesses in the original preparation of the estimates.

It is a widespread practice, when the expected results of a project or a programme fail to materialize, to blame the implementing agency and to contend that the project was good but the implementation was bad. In spite of frequent deficiencies in the implementation process, there are many cases of failure that can be traced to inadequate preparation or over-ambitious target-setting in which inadequate account was taken of the administrative feasibility of the project and the necessity of fulfilling administrative requirements. It would be more useful to visualize the phases in the life-cycle of a project in terms of links in a chain and to think of project administration as an instrument for making these links of equal strength. Unless this is done, the weakest link will affect the performance of the whole project.
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CONTROL, EVALUATION AND ADJUSTMENT OF PLANS,
PROGRAMMES AND PROJECTS
CONTROL OF OPERATIONAL PLANS, PROGRAMMES AND PROJECTS

By the United Nations Public Administration Division*

INTRODUCTION

Public administration has always been concerned, among other things with ascertaining the regularity of operations carried out pursuant to decisions. This means it has always been concerned with the control of action. In recent times the concept of control has expanded in consequence of the expansion of public activities over and above their traditional law-and-order function. The new interest shown by governments in wider and more diversified fields of national interest, such as planned economic and social development, has led to substantial modifications in the characteristics of the operations undertaken and in the administrative machinery utilized. As a result, a new system of control, particularly designed for the administration of development plans and more a tool for management than a means of routine financial verification, has been thought necessary.

In accordance with the agenda of the Seminar, the present paper will deal exclusively with the control of plan implementation. Analysis of national experience in this aspect shows a wide variety of situations and a wide variety in the solutions applied to them.

To assist in a meaningful interpretation of this experience, an effort will be made to set out a comprehensive scheme indicating the various stages of control of plan implementation and the different administrative and operative levels at which it may be executed.

To this end the paper will first discuss some administrative implications of the modern concept of control. It will then set out in broad outline the essentials of a system to ensure control of plan implementation in accordance with currently accepted principles of administrative efficiency and the requirements of the planning process. In so doing, attention will be drawn to the salient features of such a system, particularly from the point of view of time and of co-ordination of control at different levels.

In setting out such a scheme, it is emphasized that it aims only at supplying a conceptual framework for the discussion of the problems of control as they manifest themselves in various countries. It does not seek to supply or suggest a general solution to them.

The paper will conclude with a brief account of the experience of a number of Latin American countries, considered within the framework set out in the scheme.

A. CONTROL OF PLAN IMPLEMENTATION AS A STAGE OF THE ADMINISTRATION OF DEVELOPMENT PLANS

National development planning is essentially concerned with the transformation of the economic and social structure of the State in accordance with established medium- and long-term objectives. The sum of the actions to be taken by the government to achieve national development plan goals constitutes what has been called "administration for development".

An essential stage of development planning is plan formulation. "The purpose of formulating a plan is to identify and define the policies best calculated to achieve general economic and social objectives. A plan provides guide-lines for policy through the translation of these general objectives into physical targets and specific tasks for particular economic and social activities." ¹

Plan formulation, however, represents only the first stage of the process of development planning. Long-, medium- and short-term plans may be considered from the point of view of administration as sets of decisions about future goals, policies and basic means of implementation. The degree of specificity of these means frequently increases as we shift from long-term plans to medium- and short-term plans, so much so that short-term plans, i.e., annual operational plans ² and budgets, are frequently tools for defining the various direct and indirect means of implementation. They have, in addition, an organizational function in that they provide a bridge between the macro-economic considerations and general orientation of the long- and medium-term plans and the programming of concrete policies and the utilization of resources.

The stages which logically follow plan formulation are those of implementation and control. During the implementation stage, policies are put into effect, programmes carried out and means utilized with a view to attaining the objectives, goals and targets established in the plan. Government departments and other agencies assume the responsibility for executing the part of the plan relating to the public sector. At the same time, they make use of the indirect means of implementation, of which examples are given later in this section, to influence and motivate activity in the private sector.

Control is the last stage of the process of administration of development plans and can be defined as the set of activities undertaken to measure and review the results of the period, evaluate them and decide on the necessary corrective measures. Although control is termed the last stage of the process of administration of development plans, it does not follow that it is chronologically concentrated in a period subsequent to the period of implementation. Control is

¹ See Planning for Economic Development (United Nations publication, Sales No.: 64.II.B.3) para. 13.

² Latin American Institute for Economic and Social Planning. Seminar on Annual Operational Plans (Santiago, Chile, 1966).
an operation which proceeds parallel with implementation but with some time lag between the operation controlled and the action of control.

Control is itself a process, composed of a series of activities. These will be examined at a later stage in this paper.

The need for control of plan implementation derives partly from the desire to stimulate the agencies responsible for executing the plan, partly from a need to secure accountability, and partly from the likelihood of a divergence between the evolution of the country, as anticipated at the time of the formulation of the plan, and the reality as it may develop subsequently. This divergence may derive from:

(a) The imperfection of the plan, as an instrument of prediction and decision-making;
(b) Distortions that develop in the interpretation of the objectives and goals established in the plan and imperfections in the implementation machinery;
(c) The intrinsic uncertainty of the external circumstances influencing the behaviour of both the public and the private sectors.

Many of the imperfections in the plan revealed during the process of implementation appear to be the consequence of limited or erroneous information available at the time of formulation. The plan, in fact, results from a process of successive approximations, based upon a set of data on the economic, social, political, cultural and psychological elements believed likely to influence, either positively or negatively, the execution of the plan. These data are often incomplete and do not adequately describe the dynamic character of the factors studied.

The imperfections of the implementation machinery are a consequence of the complexity of the machinery itself and of the situation in which most developing countries are operating. Plan implementation, in fact, calls for participation of the public and private sectors, which means the involvement of the whole nation. This requires co-ordinated action in many forms on the part of the various government agencies in order to orientate the national economy effectively and make a timely evaluation of its performance. Some of the programmes included in the plan are usually executed directly by the State, and in countries with mixed economies a share of the plan is also reserved for the private sector. In these cases the private sector is influenced and motivated through what are called indirect means of implementation, such as incentives and disincentives, established by the government, for example, fiscal, monetary, labour and export-import policies, which establish or modify existing taxes, tariffs, subsidies, etc.

Lastly, the external circumstances in which the country actually operates may have a considerable effect on the performance of the system. The behaviour of foreign markets and also political and natural events of an exceptional character may alter the pattern of environmental conditions anticipated in the plan and substantially modify the basic assumptions of its formulators.

All these elements may create the divergence indicated above between the plan and reality, and necessitate periodic review and evaluation of the performance of the national system and, if necessary, a revision of the basic
strategies and assumptions established in the plan, or the tactics, programming and character of individual projects.

B. INTERRELATIONSHIPS BETWEEN PLANNING AND CONTROL OF PLAN IMPLEMENTATION

From what has been said previously, it is clear that the administration of development plans requires continuous attention to secure at all times a balance between the objectives established in the plan, the means of implementation as they become available, and all related internal and external influences which may affect the capacity to attain the objectives sought.

Planning and control are the two basic tools which can help to secure this balance. The adaptations required at any time may be accomplished through either a revision of the objectives of the plan or an adjustment of the means of implementation. These two measures have basically different characters. "As distinguished from adjustments, which are effected through adaptation of implementation measures, revision of the plan involves the modification of its objectives. It may be realized in the course of implementation that the objectives set out in the plan are too ambitious in relation to the means available for their realization. Revision of the plan is a political decision once the administration has submitted to the Government a report of evaluation factors indicating the need for such revision." This distinction between the two types of corrective measure is of basic importance in terms of establishing which of the decisions taken in the over-all process of administration of development plans should be considered elements of control and which of planning. Even though it may be difficult to draw a sharp line between the two processes, we may accept as a rational arrangement a subdivision based on the classification given above of adjustments and revision. For the purpose of this paper, the decision-making of control will be considered as confined to the corrective measures affecting the means of implementation yielding only short-term effects, and excluding corrective measures requiring revision of the plan.

The objectives of the plan are generally cast in terms of a desired medium-and long-term impact on the performance of the country. The original definition or subsequent revision of objectives must, therefore, be based on observations of the evolution of the national system over a sufficiently long period of time to provide a valid basis for judgement. Adjustments of the means of implementation, on the other hand, are usually required as a result of a combination of circumstances normally based on observations covering a shorter period.

The process of plan formulation including plan revision draws upon a periodic assessment of the behaviour of the economic and social system and of the external situation. Control of plan implementation represents an important source of information on past performance for the purpose of preparing a new plan, or revising an existing plan. It may detect inadequacies in the plan,

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ineffectiveness in the machinery for plan implementation and, in general, isolate the main problems and obstacles to the achievement of plan objectives.

It is a source of information. It should be emphasized, however, that it must not be the sole source of information. There is a clear need for the plan to include a revision based not only on considerations having a basically short-term character derived from the processes of control, but also on considerations of wider scope about the future, and specially on the long-term situation of the national system. Control therefore, cannot be considered the sole source of information for plan formulation, and plan formulation requires an autonomous and specific collection of data and analysis for the definition or revision of long- and medium-term objectives.

Control, in its turn, should find its roots in the plan itself. The development of a national system of control requires first of all a set of terms of reference, which primarily consist of the goals and targets of the plan in relation to which the evaluation can be made. The plan, in short, should supply the necessary criteria for the judgement of results. In addition, is should set out the administrative machinery for review and evaluation of plan implementation, and for the feed-back of the related information to all appropriate levels of administration and to the planning organs.

Finally, the plan should be flexible enough to permit revisions and adjustments whenever necessary, and should anticipate procedures for the approval and issue of corrective measures.

C. THE STAGES OF CONTROL OF PLAN IMPLEMENTATION

The process of control of plan implementation can be considered from two viewpoints: the sequence of activities or stages of its accomplishment; and the portion of the national system subject to control (global system, sectors, regions, local governments, projects).

As indicated previously, continuous review and evaluation of the results achieved is necessary to ensure efficient plan implementation. Communication to decision-making bodies of any deviation from the plan is necessary to provide them with a basis for decisions. In addition, communication of data on actual performance and corrective measures must go to all interested sectors of government in order to keep them informed. Consequently, the stages through which the process of control is carried out are the following:

(a) Measurement of results achieved;
(b) Review of results, by comparing them with the targets established in the plan;
(c) Analysis of variances and identification of their causes;
(d) Definition of corrective measures; and
(e) Issue and feedback (into the system) of corrective measures.

Stage (a) of the process of control, namely measurement of results, should be treated in broad perspective. The information necessary to evaluate past activity should describe not only the internal performance of the system but also any significant changes that occurred in the environment in which the single
department or even the national system operates. This also helps to test the validity of the objectives and targets established in the plan and provides an indication of the nature of possible revisions. The relative importance of the external environment varies according to the level of activity and usually increases from the performing department level to the global or national level.

A variety of organs may participate in the measurement stage. Statistical accounting and budgeting units are the most common. In addition, measurement can be made on an ad hoc basis through inspections, surveys and questionnaires by other organs directly or indirectly involved in the activity. If, for instance, the operations of an operating department are the object of measurement, a number of organs may take the initiative for special collection of data. These organs may range from the ministry responsible for co-ordination at the sectoral level, to the central planning agency, the ministry of finance, the central budget division, etc.

The functions of accounting and budgeting play a role of fundamental importance in stages (a), (b), and (c). Accounting is a basic tool for the measurement of activity in an administration. Its participation in the process of control and its relation with budgeting and planning have been often stated. “Accounting should provide information on work done at every stage with reference to the resources used and costs incurred in doing it. It should provide promptly accurate and complete data for administrative control over the execution of the budget plan.”4 Thus the establishment of an analytical accounting system designed to permit an easy and accurate evaluation of performance is important. This system should aim not solely at checking regularity, but at providing the basis for a control of performance which requires “... identification of units of work or performance, both organizationally and in an accounting sense, which permits measurement of units costs over a number of fiscal periods”.5

Thus, a suitable accounting system can provide a means of measurement of the actual performance of the organization in physical and financial terms. In order to develop an analysis of variances and determine adequate corrections in the input of the systems, it is necessary to have a pattern of standard values with which to compare the values measured. This point of reference for current operations is given by the annual plan and the budget. “A budget should ensure a physical correspondence between a plan and its financial forecasts and in the meantime supply enough elements for work measurement and evaluation of plan implementation.”6

The information which it is possible to gather from the accounting and budgeting system is frequently restricted to the activities of the government and sometimes of the central government. To acquire a complete knowledge of the over-all situation of the national system it is necessary to supplement this

4 Government budgeting and economic planning in developing countries (United Nations publication, Sales No.: 67.XVI.1).
5 Government accounting and budget execution (United Nations publication, Sales No.: 52.XVI.1), p. 17.
6 Government budgeting and economic planning in developing countries, op. cit.
information with data on the activity of decentralized agencies and public enterprises and the private sector.

Stage (c), analysis of variances and identification of their causes, and stage (d), definition of corrective measures, are usually part of a broader activity called “evaluation”. Evaluation may be defined as the critical analysis of the performance of the period, accomplished with a view to identifying the causes of variances and suggesting possible corrective measures.

The central planning agencies and the sectoral and regional programming units are the organs usually responsible for the review and evaluation of plan implementation at the global, sectoral and regional levels respectively. In addition, there may be, within each performing department, special units for the review and evaluation of operations designed to provide suitably detailed information and to ensure adequate frequency of reporting. The review and evaluation of local plans may be done by local programming units or by other staff organs of a local government unit. The role of the central controller’s office is frequently confined to control of operations from a juridical and accounting point of view. Hence, it is frequently difficult to ensure that the nature of the data collected is related not solely to the needs of the controller’s office but also to the purpose of control of plan implementation.

Stage (d), definition of corrective measures, is the result of the analysis of variances and the identification of their causes. The main difficulty here is the capacity to forecast the response of the systems controlled to the corrective measures. This requires an appreciation of the socio-economic structure and of the performance of the national system and sub-systems (sectors and single organizations) subject to control, and of the functional relationships connecting the variables affected by the measure, of exactly the same kind as that required for plan formulation.

Stage (e), issue and feedback of corrective measures, closes the loop of the control process, creating a new input to the system.

The issue and feedback of corrective measures are distinct steps at this stage. The issue of corrective measures involves the process of decision-making, and consequently the delegation of authority to specific organs for the enforcement of the measures. The feedback provides the necessary flow of information to all organs involved in the operation controlled.

Decision-making centres are usually scattered at different levels of the government and have differing degrees of authority. The legislature is usually the top decision-making body. Other decision-making centres are, for example, the President, the Cabinet, the Ministry of Finance, the various performing ministries (works, industry, agriculture, health, etc.), specialized agencies (central bank, development corporations, credit institutions, etc.) and sometimes the administrations of the performing departments responsible for the execution of projects. Obviously, as we proceed towards lower levels of the chain of command, the power to make decisions becomes reduced in scope and confined to short-term operative decisions.

Time is a key element in the effectiveness of control. Control should be carried on parallel to implementation. The five stages of control should take place, as far as possible, concurrently with plan implementation and in any case with the minimum delay between operation and the application of control to
the operation. One main problem is, therefore, deciding what is the optimum periodicity for data collection and feed-back for each possible level of activity. This is discussed in detail below in section E.

Figure I is a representation of a simple control loop which illustrates the five stages of control and their relationship with the process of plan implementation. Information related to control flows by means of the loop from the output side back to the input side to allow an adequate modification either of the on-going operations (the decision unit for this is shown in the figure), or even of the plan (the decision unit for this is not shown in the figure).

The figure locates on the loop the hypothetical units responsible for the various activities, shown as the measurement centre (M), the review and evaluation centre (RE), and the decision-making centre (D). The RE centre comprises three control stages: comparison, analysis of variances and definition of corrective measures. It is not always easy to draw a sharp line between activities which should fall within an M centre and an RE centre. In fact, an M centre often performs activities of review or, even partially, of evaluation. This is the case with the accounting and budgeting procedures discussed previously. However, even if an M centre undertakes a partial review and evaluation, an RE centre may still be necessary to ensure a global view of the performance.

The information supplied by an RE centre may sometimes go to a decision centre at a higher level either for decisions to be taken beyond the authority of the local D centre for information on results and variations.

D. THE LEVELS OF CONTROL OF PLAN IMPLEMENTATION

To fulfil the tasks described above, an effective control system should have the following main features:

(a) It should be comprehensive in scope, i.e., cover the over-all national system of plan implementation;

(b) It should be planning-oriented, i.e., focused on the levels of execution for which terms of reference (plans, programmes, targets) are available, and

(c) It should be integrated in nature, i.e., composed of a set of control procedures, for each level of execution, designed and co-ordinated in order to provide an over-all information system.

These features will now be discussed separately.

To be comprehensive, a control system should, *inter alia*, cover the activity of the public as well as the private sector and implementation from a micro-economic and a macro-economic point of view, and consider variables of an economic, social, cultural and political nature. A control system should therefore extend from the project level to the global level and be able to describe in a complete way the behaviour of the national system, also making use of macro-economic factors (growth, income, investment, consumption, etc.).

To be planning-oriented, a control system should be focused on the various levels of planning and should use the plan, programmes and targets derived therefrom as terms of reference in the analysis of variances.
Figure 1. THE STAGES OF CONTROL OF PLAN IMPLEMENTATION

- Plan objectives, policies, targets
- Inputs
- Feed-back
- Approval and issue of corrective measures
- Decision centre
- Review and evaluation centre
- Definition of corrective measures
- Analysis of variances
- Comparison with targets
- Measurement of results
- Results
- Output
- Measurement centre
- To higher levels of control
To be integrated, a control system should combine the various procedures required at different levels in a functional unity. Such an integrated system will minimize overlapping and interference and ensure a regular vertical and horizontal flow of information. The integration may also lead to a concentration of the measurement function in a single agency, resulting in uniformity of data processing, removing multiplicity and duplication of data collection, minimizing the number of operations and forms and, lastly, co-ordinating the need for processing and analysis.

The planning system, represented in figure II, identifies the various levels of control. A general development plan may encompass global, sectoral and regional plans. Sectoral and regional plans may be considered the result of two types of disaggregations, one by sectors of the economy, and the other by geographical area.

Projects and activities are the elementary subdivisions of a development programme, and are of a capital and an operating nature respectively. Projects have, therefore, the distinctive characteristic of being related to the formation of capital goods. 7

This sequence of levels — global, sectoral-regional, projects-activities — may be called the “chain of control of plan implementation”.

Local and urban plans may be considered a further disaggregation by geographical area. They are usually formulated for a city or a metropolitan area, primarily in relation to land utilization and the organization of local services. In view of their special and limited scope, they appear in figure II as offshoots of the sectoral-regional level, outside the main sequence of control.

The global level of the chain corresponds to the aggregate programme included in the general development plans. A global plan deals with the analysis and definition of objectives for the economy as a whole, and it is drawn up making use of such macro-economic tools as national accounting and in relation to basic variables of the economy (income, employment, investment, consumption, etc.).

The sectoral level corresponds to the activity programmed for each sector of the economy, such as agriculture, industry, transport, health, education. The related programmes are drawn up on the basis of an analysis of the aggregate goals set out in the global plan and interpret and translate the basic strategies of development in each sector into sectoral investments. A sectoral programme shows a summary of the activities to be accomplished by the public and private sector for each branch of the economy.

The regional level relates to the activity programmed for established geographical subdivisions of the country, whether established from a political or from an economic viewpoint. Regional planning may either precede global planning or follow it. In the first case, regional plans tend to cover the entire country and to supply a set of preliminary data to be utilized in the formulation of the global plan. In the second case, regional plans are elaborated in accordance with the national plan and through an allocation of projects on a

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7 See A manual for programme and performance budgeting (United Nations publication, Sales No.: 66.XVI.1).
Figure II
THE LEVELS OF CONTROL

Global plan

General plan → Sectoral and regional plans → Local plans

Activities and projects

Global level

Sectoral-regional level

Project level
Regional plans aim at testing the spatial balance of the global plan. Regional planning is being increasingly recognized as an important level of planning. In spite of this, only a few countries have hitherto attempted to set up a network of planning organs at various levels of government, and “an effective division of labour and co-ordination of efforts among these bodies has generally proved difficult to achieve. Moreover, owing to the paucity of regional economic data and the shortage of qualified personnel, the scope and quality of regional plans has generally been inferior to that of the national plans. This has prevented an effective ‘regionalization’ of national development plans.”

The project-activity level corresponds to the execution of specific operations derived from a “subdivision of a development programme”. The concept of project, as indicated above, has hitherto been usually associated with capital investment, rather than being something which is merely of an operational nature. There has, however, been a tendency to expand the interpretation of the “project” concept to cover “every unit of activity capable of implementing a development plan”. This expansion acknowledges the intrinsic importance of each part of the development plan, regardless of its operational or financial characteristics. Accordingly, the term, “project” will be used in this wider sense, and it will also include developmental activities of a purely operational character (i.e., agricultural extension services).

The above discussion has concentrated on control as related to levels of operation. If we consider time as another dimension in the analysis of the planning system, we obtain an additional series of levels of control in relation to the possible durations of the planning period, which are long-, medium- and short-term. This classification by duration can be applied to plans, programmes and projects, although projects are usually limited to the medium- and short-term levels. “Long-term plans, however, contain only the most general and aggregated targets and tasks. They have to be co-ordinated with medium-term plans which are of a more detailed and concrete nature... as demonstrated by the experience of some countries, it is in the preparation of annual plans that aims can be expressed more concretely in terms of planned activities for existing enterprises and for the construction of new projects.”

Taking into consideration the prevailing importance of annual plans from an operational point of view, and in accordance with the agenda established for the Seminar, the analysis which follows will be confined to a system of control for the short term. It should be emphasized, however, that most of the elements that we shall examine will also be relevant to control at the medium- and

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9 See *Formulation and economic appraisal of development projects* (United Nations publication, Sales No.: 51.II.B.4), vol. 1.

10 See “Planning in Latin America”, *Economic Bulletin for Latin America*, vol. XII, No. 2 (October 1967), p. 13. This paper was submitted by ECLA to the second session of the United Nations Committee for Development Planning (E/AL.54/L.13) and to the twelfth session of the Commission (E/CN.12/772).

11 *Planning for Economic Development*, op. cit., paras. 16 and 17.
long-term levels. The information gathered from control at the short-term level usually represents the basis for evaluation of medium- and long-term plan implementation. This latter evaluation will evidently require more emphasis on the long-term effects of the operations studied and consequently additional analysis of trends and research.

E. THE CHAIN OF CONTROL OF PLAN IMPLEMENTATION

Figure III sets out an information system for the chain of control of plan implementation, drawn up in accordance with the concept of control discussed above. The system is laid out parallel to the three basic levels of development planning (global, sectoral-regional, project) and shows a series of three loops (marked \( L_G \), \( L_{SR} \) and \( L_P \)), one for each level. As has already been emphasized, the system is to be considered only as a framework to facilitate the examination of actual experience.

In the figure only one control loop serves the sectoral and regional levels. If a number of regional institutions were operating and responsible for sub-national planning, a separate control system for regional activities would be necessary, and a functional link would also be needed to ensure the necessary exchange of information among sectoral, regional and global units.

Local plans have not been included in the figure. Over-all control of local and urban plans is usually undertaken by local authorities, in which case close relations need to be maintained with the central government in relation to development projects specifically assigned to the area (tourism projects, for instance). This need is, however, obviated where control of local plans is centralized in a central institution.

The three control loops contain the basic units discussed in section C, namely:

(a) The measurement centre (M);
(b) The review-evaluation centre (RE); and
(c) The decision centre (D).

Each control loop provides, along the two routes emerging from the RE unit, first, an adequate feed-back of corrective measures for the operational system of its level and, secondly, information on variances for the higher levels. This information is necessary when the corrective measures are beyond the authority of decision-makers at that level.

A measurement centre, also called in systems language a “sensor”, is the unit responsible for the periodic collection of data on the progress of the operations subject to control. Examples of organs which act as measurement centres were given in section C. The selection of sensitive and meaningful indicators is a basic requirement for efficient measurement. The identification of the strategic and critical areas of the activities subject to control is a preliminary step for the choice of significant parameters. The indicators may depict human, physical, financial, economic, technological, social and administrative aspects of the organization, all considered in a dynamic context.

An indicator should stem primarily from the specifications of the plan and be used in expressing the various targets. Plans should themselves contain
sufficient terms of reference as to conditions of implementation under which the
targets are to be attained. The concept of "conditions of implementation"
enlarges as we proceed towards wider areas of activity. At the national level, the
conditions of implementation may be related to the total environment of the
country, including any foreign organizations with which the system may have
relations.

A review and evaluation centre is a unit with an advisory function in relation
to the administration at its level which is responsible for the analysis of variances
and for definition of corrective measures. It does not take decisions on
adjustments and/or revisions of plan, programmes or projects, but only advises
the administration on possible courses of action. The nature of its activity
creates the need for effective liaison with the planning units at various levels to
ensure co-operation. A review-evaluation unit may either be part of the
programming or planning units or a separate organization. At the global level, in
particular, a form of separate RE unit may be a committee reporting directly to
the top decision centre (President or Cabinet).

A decision centre is an organizational unit authorized to take decisions on
corrective measures and to have them enforced. At the project level a typical
example of a decision centre is the director of an executing department (e.g.,
department of roads of the Ministry of Public Works). Other examples of
decision centres were given in section D.

In figure III, the global level of the chain is split into two parts, related to
long- and medium-term planning and to short-term planning. A separate stream
of information for the control of long and medium-term planning is also shown.
This stream emerges from the RE unit at the global level and goes to a particular
decision centre (D_L). In practice the decision centre for the global level may be
the same for long- and short-term plans, i.e., D_L and D_S in the figure may be
united in, for instance, the Legislature; the distinction is made in the figure
merely to emphasize that there are two different moments of decision-making in
relation to the two spans of planning.

The private sector is represented with a separate chain comprising a planning
stage and an operational stage. The indications of the global plans, particularly
those expressed in terms of economic and social policies such as incentives and
disincentives, flow from the annual plan to the input of the private system. This
is shown by a broken line in figure III.

Measurement centres are also established to collect data on private sector
planning and private operations. The collection of data on private sector
planning is usually done by statistical units, central banks and other central
agencies through questionnaires and surveys.

Another important source of information for control at both global and
sectoral levels is national accounting. Its input is composed of data coming from
both the private and public sector.

Lastly, there is a basic measurement centre for the external environment
(shown on the figure as external to the three main loops described above). This
centre reports on external matters, for example changes in foreign markets
(production, demand, prices, technological situation, etc.) which may influence
the national system. It may take a number of forms, for instance a section of the
Figure III  INFORMATION SYSTEM FOR THE CHAIN OF CONTROL

Global level  Sectoral-regional level  Project level

Plan indications
(indirect means)

Private sector
planning and
budgeting

Economic forecasts

National accounting

Private sector
operations

Long and medium-term plans

Annual plans

Regional plans

Budget

Sectoral plans

Public sector projects

National system

External environment

RE = Review and evaluation centre
DL = Decision-making centre, long-term
DS = Decision-making centre, short-term
LG = Control loop, global level
LSR = Control loop, sectoral-regional level
LP = Control loop, project level

PB = Feedback
M = Measurement centre
central statistical department working on the basis of regular reports received from information offices or other institutions located in foreign countries.

To sum up, in order to form an effective control system for plan implementation, the following structural elements are the minimum that should be defined:

(a) Distribution of requisite measurement centres throughout the national system, including centres for the measurement of the external environment;

(b) The qualitative and quantitative characteristics of the information to be collected and the periodicity of the flow of information;

(c) The manner of processing data for comparison with targets and for analysis of variances;

(d) The source of decisions on corrective measures, including indications as to the type of decisions to be taken in certain situations (decision rules);

(e) The position in the organization of the decision centres authorized to approve and issue corrective measures;

(f) The procedural and operational aspects of the flow of corrective measures;

(g) Co-ordinating mechanisms for controls at various levels.

Below are examined some features of the control process which are particularly related to the flow of information.

Information flow for control of plan implementation

The three main levels of control present distinct characteristics in terms of functions and responsibility, which differentiate them in relation to the kind and quality of information required, and the periodicity of the flow of information.

The project level is directly responsible for the effective and efficient execution of the specific operations anticipated in the plan. It may be termed the “operational level” to underline its involvement in the implementation stage. Examples of organizational units operating at the project level are: agricultural extension services, departments responsible for education, construction of roads, industrial public enterprises, credit institutions, etc.

The sectoral-regional level is responsible for the establishment of the conditions required for the implementation of the respective programmes in both the public and private sectors. This level is responsible therefore for the use of the direct and indirect means of implementation applicable to both sectors, and for the definition of sectoral and regional policies regulating the application of such means. Ministries, regions, development corporations, and some specialized bodies and decentralized institutions with responsibility for a particular branch of the economy or region, are examples of organizations operating at this level.

The global level is responsible for the definition of over-all policies in the main areas affecting the evolution of the national economy in the short and long term (monetary, fiscal, labour, foreign trade, etc.). It is also responsible for establishing the basic priorities for the distribution of investment among sectors
of the economy in accordance with the plan. Examples of agencies operating at the global level are the following: central planning boards, national development councils, inter-ministerial committees for economic and social development and councils of ministers. These agencies are usually assisted by a series of institutions covering particular areas of the economy. The central bank is a typical example of this kind of institution; its competence is mainly in the monetary and financial fields, and it proposes national policies affecting monetary circulation and credit. Other such institutions operate in different areas of the economy, for example, foreign exchange, conditions of labour, internal taxation, industry, etc.

(a) Kind and quantity of information required

As a result of the diversity of the functions executed at the three levels, different types and volumes of information are required.

At the project level, the information required by the top management of a project is directly connected with basic operations and expressed in physical and financial terms. The physical reports can be related to the processes developed and the output obtained in the period, and should indicate whether the schedule for the project is being adhered to. The financial reports may cover actual disbursements or receipts resulting from the operations as they compare with the budget estimates, and also with the analysis of cost and efficiency (or profitability, if applicable).

At the sectoral-regional level, the need to build up a comprehensive picture of the over-all activity developed requires data not only on public sector projects but also on the operations of the private sector. An analysis of the evolution of some macro-economic variables and an evaluation of the adequacy of sectoral and regional policies are also required.

At the global level, the spectrum of information required enlarges as a result of the further expansion of the area of analysis, and it may include inter-sectoral economic comparisons, evaluation of effectiveness of national policies, verification of the implementation of sectoral and regional investment priorities, evaluation of the social and cultural aspects of the performance of the national system and the appraisal of the evolution of the external environment. Knowledge of the progress achieved at the project and sectoral-regional levels is also necessary. Projects represent the elementary unit of a plan and the field in which the over-all feasibility of a plan is tested. The global level therefore needs to follow the progress of project implementation closely so that it can gain an idea of what changes and remedial measures are needed.

Lastly, it is necessary to underline the importance at this level of social, political, cultural and psychological data. The accomplishment of a plan cannot be expressed only in terms of such economic indicators as gross national product or the like. A country's growth is also dependent on its social structure, on its internal will for development and on the vision of its political leaders. It is therefore essential to take these factors into account in a comprehensive evaluation of the national system.

Summing up, the three levels show a definite distinction in the kind and quantity of information required. Moving from the project level to the
sectoral-regional and global levels, financial, economic and social data and macro-economic variables become increasingly important.

(b) Periodicity of the information flow

Time is a limiting factor in a control process. If corrective measures could be instigated concurrently with or immediately subsequent to the alterations in the system which necessitated them, the control process would be ideal. The corrections would actually be "concomitants" of the operations, and this would ensure a minimum fluctuation of the system round the planned values.

Unfortunately, this is not possible and there is almost always a time lag before corrections are applied. The causes which may induce a time lag in the planning and control system are various and can be examined in relation to the different stages of the two processes. "First there is a lag between the event and the appearance of the statistics before the policy-makers in assimilable, processed form - so that the policy-maker never sees 'today', only 'yesterday'. Secondly, there is a lag between receiving information and taking action on it; this is partly because there is a minimum time in which wise and deliberated decision can be made, partly because there is often institutional inflexibility about decision-taking, e.g., an annual budget. Thirdly, there is a lag between the implementation of a policy and its full direct and indirect effects on the economy."

A brief reference has already been made in section C to the time factor. This factor raises two problems in the control process: first, how to determine the optimum periodicity of the cycle (number of cycles per year or interval of time between two consecutive measurements); and secondly, how to reduce the time required for the accomplishment of a complete control cycle (measurement, control, decision, feed-back) to the minimum.

The two problems are different in nature. The first, namely the periodicity of control, is a problem of system-design connected with the definition of the essential features in a control system. The second is a problem of reducing lags in the control cycle, therefore a problem of revision and, possibly, simplification of procedures.

The periodicity of the control cycle depends on:

(a) The natural cycle of accomplishment and speed of evolution of the operations to be measured;
(b) The time required for collection, processing and analysis of data;
(c) The periodicity of approval of corrective measures in accordance with existing procedures, regulations and laws, and the time required for decision-making;
(d) The type of corrective measure to be implemented, and
(e) The receptiveness of the system to corrective measures (time required for implementation).

Achieving optimum periodicity basically involves balancing the cost of control against the benefits derived from a more regular implementation of the

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plan. In so far as the marginal benefit is greater than the marginal cost of control, it is convenient to increase the degree of control. This degree can be increased not only by reducing the interval between two subsequent measurements, but also by widening its scope and enlarging the number of variables collected and strategic processes placed under control. However, it should be emphasized that an information system should be flexible enough to vary its periodicity, i.e., to permit a call for special reports and surveys to deal with emergency situations and make timely and adequate corrections, including changes in the periodicity of the reporting system itself.

The project level is usually concerned with operations which can be measured at short intervals. Even if the final product requires a long time for completion (e.g., crop, educational campaign, etc.), the control cycle can nevertheless be a fraction of the completion period and can measure the progress and efficiency of operations.

The sectoral-regional level is concerned with more complex variables, some of which are of a macro-economic nature, and relies on measurements and analysis connected with the budgeting system. Moreover, corrective measures at this level often involve policy decisions which may require time for design and discussion before approval. As a result, the control cycle at the sectoral-regional level is usually longer than at the project level.

At the global level, the causes of longer cycles are more evident. In particular, revision of the plan may involve changes in developmental strategies and objectives which require decisions and elaborate examinations at the political level.

To sum up, in moving from the project level to the sectoral-regional and global levels, there is a tendency for the intervals between two successive cycles of control to increase. No rules can be given as to the optimum relationship between the periodicity of each of the three levels, since the very variety of operations may generate a multiplicity of solutions. In practice, the intervals of measurement of different units should fall within the following ranges:

(a) Project level: from one week to one month;
(b) Sectoral-regional level: from one month to two or three months;
(c) Global level: from two to three months to six months.

The problem of reducing time lags to the minimum is in essence a problem of rationalizing procedures, synchronizing operations and, above all, predetermining the control mechanism. As was emphasized in section B, control should have its roots in planning.

The main difficulties in reducing the time lag in the stages of measurement and control arise from the existing procedures for data collection and analysis which are, particularly at the lower levels, closely connected with the procedures of financial management. The budget process greatly affects, in fact, the analysis of variance so that it is necessary to harmonize the budget and control cycles.

To make it easier to determine the corrective measures to be used it is necessary to "establish a regulatory mechanism to be used in practice to modify the levels of execution and of repercussion (of the strategic decisions) anytime
the strategic processes are out of the anticipated limits”. A regulatory mechanism of this type calls for the identification of a set of meaningful indicators and for a knowledge of the way in which strategic decisions may affect the economic system. These indicators, which are called “indicators of repercussion”, may greatly help in the evaluation of the policies put into effect and give indications as to future action. Defining a control mechanism for strategic processes can be of help in taking decisions on corrective measures and their subsequent implementation. The establishment of a correspondence between variances and corrective measure may, within certain limits, facilitate and speed up decision-making. It may also permit a wider delegation of authority, reducing the intervention of the top decision centres to cases not provided for in the regulatory mechanism, or emergency cases.

F. EXPERIENCE IN LATIN AMERICAN COUNTRIES

The progress achieved in recent years by many of the Latin American countries in plan formulation has created a demand for similar progress in other areas of development administration. Recent experience has, however, shown that progress has fallen short of expectation in the stages of implementation and control which represent, today, two major areas requiring improvement.

This is stated in respect of control in an ECLA document submitted to the second session of the Committee for Development Planning, held at Santiago in April 1967, as follows: “The lack of progress in the formulation and implementation of operational plans is clearly demonstrated by the non-existence of machinery for controlling the implementation of plans, evaluating the problems which arise and insisting on the rectifications which are patently necessary. Not only must administrative organs be established to assume those functions; it is particularly necessary for evaluation techniques to be developed which will be applicable to Latin American conditions.”

This statement underscores the importance of control of the implementation of annual operational plans at the national and sectoral levels, and in relation to public and private activities, as a necessary supplement to control of project implementation and budget control.

The need to establish effective operational control systems confronted the governments of the region as soon as they realized the need for more effective

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13 See “Control of implementation of general plans of development in Latin America” (E/AC.54/L.20), paper prepared by the Organization of American States for submission to the second session of the United Nations Committee on Development Planning (Santiago, Chile, April 1967).

14 Ibid.

15 This means, in other words, the implementation of the “exception principle” of administration in the control of plan implementation.

16 See “Planning in Latin America”, op. cit.

17 Ibid., p. 13.
plan administration. The interrelationship between implementation and control is such that proper implementation is inconceivable without parallel control. Control, as a means of information and evaluation, is in fact a basis for decision-making and therefore for administration.

Governments' efforts in this area have been exerted in various ways, covering, with varying intensity, the three levels of control (project, sectoral, regional and global) and the different activities which comprise the process of control (measurement, review, evaluation, decision-making and feed-back). While acknowledging the need for further improvement, the value and the extent of the progress already achieved in certain key areas, such as project administration and budgeting, should not be minimized. Below are indicated the main aspects in respect of which progress has been achieved and the major deficiencies which still confront the governments of the region.

1. The role of programme budgeting in the establishment of a system of control for plan implementation

Examined above were the basic features of a control system for plan implementation and the prerequisites for its effectiveness which are:

(a) An analytical and concrete set of terms of reference for short-term activity as a supplement to long- and medium-term plans (annual operational plan and programme and performance budgeting);

(b) An efficient set-up at the project level, complemented by a cluster of functional units in the areas of planning, control, budgeting, accounting and statistics at the sectoral, regional and global levels;

(c) A clearly defined information system, including decision centres, delegation of authority and procedures for the implementation of corrective measures; availability of a modern data-processing unit, if possible in a central position, to ensure the preparation of the periodic reports required;

(d) An adequate and sensitive system of measurement and control of the activity of the private sector at all levels, including guide-lines to evaluate the effect of economic and social policies on performance during the period.

Most of the above elements are also prerequisites for the implementation of the programme budget. It should, however, be emphasized that a programme budget can be a useful instrument of control only if it faithfully represents the plan, its priorities and its strategic projects. The first three prerequisites can be brought about through the reorganization which usually accompanies the execution of the budget. In this way the budgeting system, which is viewed primarily as a tool of short-term planning, also becomes an important organizational tool of the performing departments. This organizational role derives directly from the analysis and rearrangements of operations, functions, and sometimes structures, which the administration has to undergo in order to become suitable for the new form of budgeting.

The main organizational studies and rearrangements which should be accomplished as a preliminary stage in the establishment of a programme budgeting system are the following:
(a) Definition of projects, activities and operations accomplished by the performing departments, preparatory to the use of the programme budget classification. This stage is usually accomplished through the assessment, classification and arrangement into homogeneous groups of the various activities. The analysis undertaken can yield a clear picture of operations and can often form the basis for a more rational distribution of activities among departments;

(b) Definition of the centre of responsibility, limited to the execution of the programmes included in the budget;

(c) Definition of measurement centres for collection of data on the operations of the period and their analysis from a financial, cost, and physical point of view;

(d) Definition of procedures related to decision-making on corrective measures and to feedback to performing departments.

The phases listed above have been accomplished, albeit partially, by several countries of the region. Since 1959, when work on budget reform was initiated in Colombia, most Latin American countries have succeeded in introducing some form of programme and performance budgeting.18 This form of budget is currently being introduced in all countries and it is improving both the depth of budget analysis and the design of budget procedures.

The definition of projects, activities and operations has usually been the first step undertaken. The studies made have provided a useful breakdown and analysis of the various programmes and helped to identify them clearly from an operational point of view. Once the various programmes have been defined and classified in accordance with a standard classification system,19 it has been possible to assign them to the departments responsible for execution. The introduction of new measurement and accounting procedures is another notable aspect of the work accomplished during this stage. Many of the traditional systems of financial accounting have been subject to substantial revision in order to obtain: (a) greater details of the operations executed (financial, physical and cost data), and (b) more frequent collection of data. This has called for an improvement in procedures and data processing.

The reorganization of existing data processing centres and the establishment of new centres using electronic computers has been frequent. Colombia, Venezuela, Costa Rica and several other countries have applied new methods of data processing. At this stage, co-operation between the budget agencies and organization and methods units, where they exist, has proved valuable. Venezuela, Colombia, Ecuador and Peru, among others, are countries in which administrative reorganization has been undertaken jointly by the budget and the organization and methods units.

The reorganization involved in establishing adequate conditions for the execution of the budget has frequently included a revision of public accounting


19 The classifications generally applied are those shown in A manual for programme and performance budgeting, op. cit.
methods, and of the central control organs (central controller's office: contraloria general) to ensure co-ordination of procedures, the use of a common classification of income and expenditure, and increased periodicity. In one case (Peru), the traditional tasks of the central controller's office have been enlarged to include control of the efficiency of plan implementation. It should be pointed out, however, that in this case control is limited to the execution of the budget for the public sector. In several cases, revision of accounting procedures has been accompanied by the establishment of central and sectoral budgeting agencies.

In most Latin American countries, the measurement of results is still the phase which most urgently calls for improvement. Instances of advances in this area exist, but in general the situation is still far from satisfactory.

In some Central American countries, the critical path method has been successfully used to control capital investment projects. The same technique has been used by the state of Guanabara in Brazil, and by several institutions operating at the sectoral and regional levels in Mexico. In Chile, Colombia, and Peru other specific systems of control of project implementation have been used employing for instance, graphic methods of control which show the sequence in time of the anticipated and actual execution of the project.

The importance of the availability of cost data is now generally recognized. Financial data are related to disbursements and collections of money. To calculate the value of the production of goods and services of the period it is necessary to measure the resources actually consumed by using a cost accounting system. Cost data is also useful in calculating coefficients of efficiency and the unit cost of the various products. Cost data may also be required for the study of different investment and operational options; in this case it is essential to know what is called the "direct cost", i.e., the part of the cost which varies with the volume of production.

Several of the countries in the region are endeavouring to collect data in greater detail than hitherto. In the Central American countries, the budgets now include data on total and unit cost. Colombia and Venezuela are two other examples in which cost analysis is currently being undertaken. In the area of cost measurement there is still room for improvement in the region and efforts should be made to increase the number of cost measurement centres. It must be emphasized that a system of more detailed data collection is necessary not only for control at the sectoral and global levels, but also for the internal control of the performing departments. The volume of information required by a performing department on the execution of its programmes may be greater than that required by the planning and budgeting agencies at the sectoral and global levels; it may cover different operational aspects or be needed at shorter intervals of time. In such cases the establishment of an internal measurement centre to gather data for the particular purpose of the department may be useful.

The procedures relating to decision-making on corrective measures are sometimes defined and regulated by law, and in a number of cases new organic

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laws have been issued\textsuperscript{21} regulating the execution of the budget and establishing the limits of variations in the approved programmes.

Variations in the budget are usually authorized at different levels depending on the type of the corrective measures. Authorities which are empowered to sanction variations fall within one of the following categories:

(a) Directors of the performing departments and project managers;
(b) Top administrators of central and decentralized agencies operating at the sectoral or regional level (ministries, presidents of institutions, boards of directors, etc.);
(c) The director of the budget division;
(d) The ministry of finance;
(e) The President of the Republic and the Cabinet;
(f) The legislature.

To sum up, the implementation of the programme and performance budget in Latin America has become more efficient and widespread. Particularly important have been the organizational and procedural adjustments introduced in some cases preparatory to the application of the budget, including the training of personnel. The implementation of the budget throughout the administration has created a new atmosphere of co-operation in the programming process and has made for an enhanced sense of responsibility. However, there is still need for improvement, particularly with regard to the following:

(a) The classification used in the budget should also cover sectors, functions and economic categories so that the budget can be used for macro-economic analysis;
(b) Physical and cost data should be obtained through a proper system of measurement at the project level and through proper analysis of basic operations;
(c) A revision should be made of public accounting, both its scope and its periodicity, to make it suitable for the control of plan implementation;
(d) The budget should be expanded to cover the entire public sector (central agencies, specialized agencies, decentralized and autonomous institutions, public enterprises);
(e) Modern budget legislation should be enacted to regulate all the stages of budget administration, particularly the decision-making stage.

2. Additional instruments of control

When fully developed, programme budgeting is a powerful instrument of control at all levels. However, its limitations should be realized, the most important of which is that it does not provide all the information needed at the project, sectoral, regional or global levels. The information flow required at the various levels has been discussed in section E.

\textsuperscript{21} In, for example, Brazil (1964), Chile (1959), Colombia (1964), Nicaragua (1965), Paraguay (1963), Peru (1964).
In several countries of the region the internal control of the performing
departments has improved considerably as a result of the combined action of the
sectoral programming units, the budget units and the organization and methods
units. A deeper knowledge of the basic operations derived from this action, and
increased involvement by the performing departments in the process of
programme formulation have helped to improve the situation substantially. The
Ministry of Public Works of Venezuela may be mentioned as an example, in
which the establishment of a sectoral Programming Unit, reporting directly to
the Minister, has ensured an efficient control of plan implementation at the
project and sectoral levels and, at the same time, a closer functional link with the
central planning agency, CORDIPLAN. The Programming Unit has co-operated
closely with the sectoral Organization and Methods Unit in a broad programme
of administrative improvements of the Ministry at the departmental level and in
the establishment of a regular reporting system. The Programming Unit keeps a
monthly record of the financial and physical results of the various projects and
prepares monthly evaluation reports. An expansion of the control system to the
costing area is also anticipated.

Measurement of the performance of the private sector is another point
calling for a more organic and comprehensive approach. The performance of the
private sector can be assessed at both the micro-level and the macro-level.

Activity at the micro-level is very important and yet difficult to determine.
Private projects, particularly in the industrial sector, may constitute a large
proportion of all the projects in a country. Identifying these projects and having
some knowledge of their progress, may therefore be essential for national
planning and control. There are various sources of information on private
projects, the most common being financial institutions, development corpora-
tions, regulatory bodies, registry offices of industrial and commercial enter-
prises and other local agencies dealing with licences and building permits. A
regular assessment of plans and achievements in this field can assist both
planners and administrators. In the countries of the region this kind of
assessment is usually undertaken by a variety of organs, but seldom within the
framework of a co-ordinated system of data collection and reporting. An
example of an assessment of private industrial projects at the planning stage can
be seen in the Colombian Development Plan.22

A view of the macro-economic aspect of the private sector is usually gained
from national statistics and accounting. Basic statistics and national accounting
have proved to be of great value in supplementing the information provided by
the programme budget. National accounting aims at describing the performance
of the economic system on the basis of the operations executed within it. It
supplies a series of aggregated data which are essential for the formulation and
control of economic policies at the global level.

All Latin American countries at present use a system of national accounts.23
In all cases an attempt has been made to follow the main recommendations

22 Colombia, Plan general de desarrollo económico y social, 1962, Parte II: Industria,
p. 323.

23 See "Present situation regarding national accounts systems in the Latin American
countries" (ST/ECLA/Conf.22/L.3).
regarding classification formulated by the United Nations.\textsuperscript{24} In many cases, however, owing to the limited availability of basic statistics, the accounts have been simplified and adapted to the particular situation of the country.

In order to make full use of national accounts as a tool for the control of plan implementation, the following are needed:

(a) A correspondence between the units of measurement employed in national accounting and those used in development planning. The increase of productivity anticipated by the plans, for instance, is in most cases not measured by the national accounts owing to this lack of correspondence;

(b) Data should be available with as little delay as possible (in some cases delays of one or two years occur);

(c) The national accounts department should be situated close to the central planning agency, which is the main user of the data. In practice, the location of the national accounts department in the various countries differs widely, and in some cases two separate estimates are prepared. In Argentina, Venezuela and Peru, the accounts are estimated by the central bank and the planning agency. In Bolivia and Chile, the national accounts unit is part of the planning agency, while in Panama, Jamaica, Trinidad and Tobago, and Guyana it is located in the statistical department. In Brazil it is part of a separate institution, while in the remaining countries it is within the central bank.

To acquire an over-all view of the economic situation of the country at the global level, there is a great need for a comprehensive framework for the various policies to be applied. The annual operational plan could be one way of doing this, since it would constitute a benchmark for the most important policies to be used to attain the objectives of the plan.

In conclusion, the countries of the region, besides improving the basic tool of the budget, have started to provide themselves with supplementary means of control. This process is progressing but there is still much to be accomplished. The problems that still remain are as follows:

(1) Organization at the project level needs to be improved to ensure an effective control system. This calls, primarily, for the definition and clarification of responsibilities and authority in relation to the issue of corrective measures.

(2) An integrated system of control, in the meaning specified in section D, has yet to be established in most countries. Lack of co-ordination of the control procedures at the different levels is the first deficiency. There are cases in the region in which the central planning agency is unaware of the results of the controls carried out at the project and sectoral levels. In other cases, excessive centralization in planning, together with inadequate communication, leaves the performing departments without adequate terms of reference. The results of project implementation, as well as of sectoral and regional implementation, should be communicated to the central planning agency, or to other established review and evaluation organs, to ensure an over-all assessment of performance.

\textsuperscript{24} See \textit{A System of National Accounts and Supporting Tables} (United Nations publication, Sales No.: 64.XVII.5).
(3) The increase in the amount of information of a macro-economic nature calls for an efficient system of national accounts. Today the systems applied are generally simplified versions of the system recommended by the United Nations. However, the United Nations system itself is now being revised to provide more detailed economic data. The countries of the region should endeavour to apply the new system as soon as possible and to reorganize their statistical procedures in such a way as to produce up-dated accounts with the minimum of delay and at shorter intervals of time than at present.

(4) The measurement of the activity of the private sector should be strengthened and improved by co-ordinating data collection on project planning and implementations.

(5) Efforts should be made to prepare an annual operational plan as a basis for the definition of major national policies and, at the same time, as a basis for the effective control of global, sectoral and regional achievement.
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