REPORT OF
THE WORKSHOP
ON BUDGETARY
CLASSIFICATION
AND MANAGEMENT
IN SOUTH AMERICA

SANTIAGO, CHILE
3-14 September 1962

UNITED NATIONS
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I. INTRODUCTION

1. A Workshop on Budgetary Classification and Management was held at the headquarters of the Economic Commission for Latin America (ECLA), Santiago, Chile, from 3 to 14 September 1962, under the auspices of ECLA itself, the Bureau of Technical Assistance Operations (BTAO), the Division for Public Administration and the Fiscal and Financial Branch of the Department of Economic and Social Affairs of the United Nations. It was the seventh of a series of Workshops organized by United Nations Headquarters in co-operation with the secretariats of the regional economic commissions, and the third for the Latin American countries. The first of the whole series was held at Mexico City in 1953 with the participation of the Governments of Central America, the Antilles, Mexico and the United States of America. Another meeting was held in May 1959 at Santiago, Chile - the second for Latin America and the first for the countries of South America. In 1955, 1957 and 1960 similar meetings were held at Bangkok for the countries of Asia and the Far East. In 1961 the first Workshop for the African countries was held at Addis Ababa.

2. The present meeting was attended by twenty-six experts nominated by twelve States members of the Economic Commission for Latin America, including for the first time participants from British Guiana and Surinam.1/ The experts served in their individual capacities and the opinions they expressed did not necessarily represent the views of their Governments.

3. The fundamental purpose of the Workshop was to analyse the changes in ideas and procedures that are needed in the budget systems of the South American countries if better co-ordination is to be established between the processes of formulating and executing budgets and the planning processes, and to study the progress made in the field of budgetary management since the 1959 Workshop. Consequently the discussion centred mainly on problems relating to the introduction of programme and performance budgeting.

1/ See the list of participants in annex I.
4. To focus and guide its discussions, the Workshop adopted the following agenda:

1. Review of recent developments in the field of budget management
   (a) The development of policy accounts providing classifications of government transactions according to economic and functional categories
   (b) The problems relating to the adoption of budgets along programme and performance lines
2. Relationship between the annual budget and the long and medium-term plan
3. Performance approach to government budgeting
4. Performance budget classifications
5. Performance budgeting and accounting
6. Measurement of work
7. Installation of a performance budget system

5. Among the documents discussed by the participants were a manual for programme and performance budgeting (E/CN.12/BHM.2/L.4) prepared by the Fiscal and Financial Branch; Algunas consideraciones sobre las relaciones entre la programación del desarrollo y el presupuesto fiscal (E/CN.12/BBW.2/L.5); Estructura de un programa presupuestario (E/CN.12/BBW.2/L.6) and La experiencia de algunos países de América del Sur en materia de reforma presupuestaria (E/CN.12/BBW.2/L.10), prepared by the ECLA secretariat. Annex III contains a complete list of the working papers prepared by the United Nations and of the studies submitted by the participants.

6. The meeting opened under the chairmanship of Mr. Alfonso Santa Cruz, Acting Executive Secretary of ECLA, who delivered the opening address. Mr. Sergio Molina Silva, Director of the Budget for Chile, then took the floor and welcomed the participants on behalf of the Chilean Government.

2/ See the notes on the principal agenda items in annex II.
3/ The full text of the address is given in annex IV of E/CN.12/634.
7. The meeting appointed a drafting committee composed of participants from Bolivia, Colombia, Chile, Peru, Uruguay and Venezuela, to prepare the final report. Mr. Oscar Gandarillas Vargas (Bolivia) was appointed Chairman and Mr. Jorge Irisity (Uruguay) was appointed Rapporteur.

8. At the closing meeting, after the final report of the Workshop had been adopted, the following speakers took the floor: Mr. Agnello Uchoa Bittencourt, representative of Brazil, who spoke on behalf of the participants; Mr. Alejandro Schegoyen, representative of the United Nations Technical Assistance Board; Mr. Alfred Landau, of the Fiscal and Financial Branch of the United Nations, and Mr. Gonzalo Martner, Associate Director of the Workshop. All the speakers were at one in stressing the successful outcome of the meeting, the high level of the discussions and the open-mindedness of the participants, and all agreed as to the value of such meetings and the need for the participants to promote in their own countries activities related to the subjects discussed. Gratitude was expressed on behalf of the participants to the bodies sponsoring the Workshop, not only for the administrative and organizational work involved, but in particular for the technical contribution provided in the basic documentation submitted to the meeting, and the co-operation of experts from the sponsoring bodies. Lastly, a tribute was paid to the efficiency and zeal of the secretariat services, which had enabled the proceedings to run smoothly. Mr. Alfonso Santa Cruz made a short closing statement.

II. ACCOUNT OF PROCEEDINGS

1. Recent developments in budget administration

9. The Workshop reviewed the recent developments in the budgetary field in the light of the recommendations made by the Workshop on Budgetary Classification and Management held at Santiago, Chile in 1959. The 1959 Workshop recommended, inter alia, the gradual introduction of classifications according to economic and functional categories on the
grounds that such classifications provided information essential for the formulation of government policies in the economic and social fields. It also recommended the adoption of programme and performance budgeting, as a means of facilitating programming in the public sector and of increasing efficiency in the execution of the relevant tasks, and recognized the importance of creating medium and long-term planning offices or, failing that, the need to equip budget offices with the means of information necessary for carrying out this planning; and it considered that, for the purpose of putting into practice the classifications and new budgetary procedures recommended, it was essential to train specialized personnel, to mechanize the work in budget offices, and to improve statistical information systems. In that connexion the 1959 Workshop expressed its interest in the technical assistance which might be furnished by the United Nations. The papers prepared by the secretariat for the 1962 Workshop, and the documents prepared by the participants, convey a clear picture of the developments that have taken place during the last three years.

10. Broadly speaking a distinction should be made between two areas of activity, both determined by the special needs and conditions created by a planned approach to economic development. One involves the development of the kind of public sector accounts which are designed to bring out more clearly the inter-relationships between the government sector and the rest of the economy through classifications of government transactions according to economic and functional categories; as a rule information of this type is supplied in addition to the presentation of government accounts in the form required for purposes of legislative control and accounting. The other area of activity relates to changes in concepts and procedures in government budgeting and accounting required to make the annual budget a more effective instrument for implementing the economic development plan.


5/ See annex III.
11. Programme and performance budgeting has been widely recognized as a budgetary technique which is particularly suitable for the co-ordination of development planning and programming with government budgeting, since in both attention is focused on the results to be obtained in real or physical terms and on the total costs of achieving these purposes.

12. As a rule countries in the region which have experimented with budgetary systems based on programme and performance techniques have at the same time developed the kind of classifications along economic and functional lines which are required in analysing the impact of government transactions on the rest of the economy. In both areas of the work referred to above, significant progress has been made.

(a) **Economic and functional classification**

13. The Workshop noted that the usefulness of economic and functional classifications of government transactions has been generally recognized and most of the countries of South America have adopted them. In this work the United Nations Manual for Economic and Functional Classification of Government transactions\(^6\) has proved a valuable guide. In Bolivia, Chile, Colombia, Ecuador and Venezuela these classifications have become a feature of the budget documents. The basic classifications used in government accounting provide for the coding of the information of this type, thus allowing for an *ex ante* classification of budgetary estimates and their publication at the time of the submission of the budget to the legislature.

14. The **Bolivian** budget, which in 1961 was established on a programme and performance basis, includes supplementary tables showing the economic and functional classification. In addition the Contraloria General has prepared an economic classification of central government expenditure and receipts for the years from 1950 to 1959. The new organic law on the budget adopted in Chile in 1959 provides for uniform economic classifications of expenditure of central government agencies as well as of autonomous institutions. Moreover, an economic classification of government transactions is presented in the "Budget in Brief" (el *Presupuesto*

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\(^6\) United Nations Publication, Sales No.: 58,XVI.2.
In the fifties Ecuador adopted a budget presentation that provided for the economic and functional classification of the transactions included in the current and capital budget and in the budgets of government enterprises. Further refinements were introduced into the budget presentation for 1963. The National Planning Board in turn utilizes the classifications contained in the budget accounts of the central and local government authorities, and of autonomous institutions, for the preparation of comprehensive public sector accounts and projections required for the economic development plan. In Paraguay work is in progress to incorporate economic and functional classifications into the budget, and a reclassification of budgetary expenditure for 1959 to 1961 has been completed. This reclassification has been undertaken in order to prepare a programme budget for 1963. Similarly, the Ministry of Finance in Uruguay has begun work on reclassification of the budget estimates. Economic and functional classifications are also used in the budget in Venezuela, where data compiled on this basis are available for the last decade. In 1961 a new classification code according to object of expenditure was adopted to facilitate the introduction of a programme budget. This new code should also result in an improved economic classification.

In Brazil the budget document includes an economic classification in summary form. In August 1962 the Department of Financial Studies and Research of the Ministry of Finance of Argentina completed the economic and functional classification of public expenditure, in accordance with the system recommended at the 1959 Workshop.

In a number of South American countries the national planning boards or institutions of a similar kind have taken a leading part in this work. In Bolivia, Chile and Colombia such bodies undertook economic classifications of the consolidated expenditure of the public sector as part of the preparation of comprehensive national economic development plans. This work also involved reclassification of the transactions for previous financial years, covering periods varying from five to ten years. In Bolivia a functional classification of expenditure was prepared for 1958, with projections for 1966 and 1971. In Chile the statistics for the ten-year period 1951-60 were reclassified so as to provide a basis for an
analysis of the development of the public sector in that period. In Colombia a reclassification covering 1950-60 was undertaken as part of a comprehensive analysis of public finance developments during the period, and in addition projections for 1966-70 were prepared on this basis, and are included in the General Plan for Economic and Social Development.

16. Lastly, the Workshop noted that in several countries of the region the research services of the central banks were the first to develop accounts for the public sector. These services are still the most important source for such data in a number of countries, such as Argentina, Ecuador, Paraguay and Peru. The central banks of these countries generally obtain the basic data on government transactions for the purpose of preparing public sector accounts within systems of accounts covering the economy as a whole. In some instances, however, they have gone beyond this limited objective and have undertaken a more detailed analysis of public sector transactions, including the financial relationships between the various sub-sectors forming part of the public sector as a whole.

(b) Progress in the establishment of programme and performance budgeting

17. The Workshop noted with great satisfaction that programme and performance budgeting had been established in several South American countries as a means of facilitating programming in the public sector, helping the latter to act more efficiently and, above all, making the application of economic and social development plans more coherent. The participants considered that the reforms put through in the last three years had led to far more radical changes than those of earlier years.

18. It was pointed out during the discussions that the South American countries had not all made the same degree of progress in budget programming. Some Governments have already institutionalized programme budgeting systems. Colombia for instance, on the basis of legislation has prepared four programme and performance budgets (1960, 1961, 1962 and 1963), co-ordinating them with the Four-Year Public Investment Plan for 1961-64 and with the Economic and Social Development Plan for 1961-70.
Bolivia, following a constitutional directive, drew up two programme and performance budgets for 1961 and 1962, co-ordinating the second with the Economic and Social Development Plan for 1962-71. Ecuador classified its budget estimates for 1963 by programmes and activities in order to further the execution of its "Crash Plan" for Development. Other countries are making programme budgets as annexes to the traditional type of budget until the system of programme budgeting has been duly established by law. One of these is Venezuela, with its annex to the 1962 budget and its proposals for 1963, co-ordinated in both cases with the Four-Year Development Plan. British Guiana has also prepared an economic development plan for 1960-64 in connexion with the annual investment budget. Other countries are taking preliminary steps to introduce methods of budget programming; among them are Peru, which is drawing up a programme and performance budget for 1963, and Paraguay, where the Government has drafted a new organic law to institute the system of programme and performance budgeting, to be adopted for the 1963 budget. Uruguay is taking the first steps to establish the system and exploring the possibility of introducing it in certain services, while Chile has carried out some partial tests with a view to applying the system to education and public health. In Brazil, the State of Sao Paulo has made an interesting experiment in this respect.

The Workshop pointed out that the way in which the system was established varied from one country to another. In some it has been introduced into all Ministries simultaneously. This has been done in Bolivia and Venezuela, and Paraguay and Peru are planning to follow suit. All these countries are endeavouring to have the system applied in independent institutions and by state and local governments. Some republics, however, have preferred to carry out tests in particular central government services, followed by further tests in the remaining ministries and government agencies. Chile, which made tests in its National Health Service and Ministry of Education, is a case in point.
20. The Workshop took note of the different methods of presentation used by the countries for their programme budgets. Colombia’s budget for 1963 includes programmes giving a description of their objectives and summaries of allocations by sub-programmes and activities, of personnel classified by occupation and of expenditure by object. A detailed description of each sub-programme and activity is appended indicating objectives, personnel, budget allotments and, in some cases, an assessment of unit cost. Ecuador presents its programmes in synopsis, showing the principal functions to be carried out, the sub-programmes and activities comprised therein, the personnel required and the appropriations made. In the itemized parts the activities and projects are described and their cost estimated. Bolivia sets out its programmes in the 1962 budget, indicating their objectives, the personnel allotted to each one classified by income level and occupation, the appropriations and the origin of the funds. In the case of Venezuela, the annex to the 1963 budget shows, first, the targets and costs of the programme, the allocations classified by object and allocations by sub-programmes, and then describes each sub-programme, indicating its objectives, cost, the volume of meaningful activities to be undertaken and the staff required.

22. In many of the countries mentioned the attempts at reform have been facilitated by the assistance of the Advisory Groups sent by the United Nations to collaborate with Governments in the establishment of planning systems.

23. During the debate the Workshop laid stress on the considerable progress made in Latin America in budget classification and programming. It also expressly mentioned the desirability of using standard terminology and pointed to the existence of a number of problems and difficulties particularly with respect to the close link between the two processes of general and budget planning and to better co-ordination of budget accounting with the process of preparation and execution.
2. Relationship between medium and long-term development plans and the budget

24. The activities of various South American countries in the field of economic development planning have made it clear that the problems presented by the implementation of medium and long-term plans should be studied more intensively. The Workshop agreed that the budget was one of the principal tools for executing development plans. The participants discussed with special interest the problems raised by the relationship between medium and long-term development plans and the annual budget. As a working paper for the discussion they took the document prepared by the ECLA secretariat entitled \textit{Algunas consideraciones sobre las relaciones entre la programación del desarrollo y el presupuesto fiscal.}\footnote{E/CK.12/BRM.2/L.5}

25. The participants exchanged information on the way in which their respective countries were tackling the work of planning and linking it up with budget procedures. It was agreed that it would be desirable to set up in Governments a suitable institutional structure for the simultaneous preparation of long and medium-term development programmes in close co-ordination with short-term plans, which should be integrated with the national budget systems. In a word it was suggested that an integrated planning system should be established which, at the level concerned, would deal with long, medium and short-term targets and would co-ordinate government action with the economy as a whole.

26. The information supplied by the participants made it clear that great progress had been achieved in setting up Government planning agencies connected in one degree or another with the budget offices.

27. Nearly all the South American countries have central planning offices and in some cases they have offices at different levels of the public administration. All of them have central budget offices and a great many have offices in the ministries as well. It was pointed out that long and medium-term programming should be handed over to the central and sectoral planning agencies while short-term programming should be the joint responsibility of these agencies, the budget offices and the remainder of the public administration.
Some South American countries such as Bolivia, British Guiana, Chile, Colombia, Ecuador, Surinam and Venezuela, have prepared national economic and social development plans for the long and/or medium term; others like Brazil have made plans for specific regions as well as measures for the country as a whole. In others again – Argentina, Paraguay, Peru and Uruguay – over-all development plans are still under consideration. The Workshop was also informed of the activities of the countries that had formulated development plans with a view to linking them up with the budget.8/

In Bolivia the agencies responsible for planning are the National Planning Board, created in 1960, and the Economic Development Council which began to function in 1961. These agencies are responsible for preparing and approving long and medium-term development plans. At the beginning of 1961 they approved the Economic and Social Development Plan for 1962-71. The Department of Financial Programming of the National Planning Board has to see to the co-ordination of the plan with the annual budget, which is prepared by the Budget and Expenditure Department of the Ministry of Finance and Statistics. The Council and Board decide on the level of public expenditure and its distribution by Ministries, while the Budget Authority is responsible, in conjunction with the ministries, for drafting the budget estimates. Despite the progress made, economic budgets have not been regularly prepared and a system of statistical data suited to the needs of the plan and enabling it to be overhauled, supervised and periodically revised, has not yet been set up. Nor have planning groups been created at the lower administrative levels, since the establishment of programme and performance budgeting has been confined to the Central Government and has not yet been extended to the important public enterprises that exist in the country.

In Colombia the central planning agencies are the Economic Policy and Planning Council, headed by the President of the Republic himself and composed of various Counsellors and Ministers of State, and the Administrative Department of Planning and Technical Services, which is

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8/ The table at the end of section 2 recapitulates the current situation of each country in this respect.
the executive secretariat of the Council and is responsible for preparing economic development plans on the lines indicated by the Council. In 1961 the Government adopted the Economic and Social Development Plan for 1961-70. The long-term targets for the plan are expressed, as regards the medium term, in the form of the Four-Year Public Investment Plan which itemizes the investment expenditure to be made by the Central Government, decentralized institutions, public enterprises and departmental and municipal authorities. For the short term the two plans are crystallized in the annual budget, which is classified by programmes and activities and divided into a functional and an investment budget. The latter corresponds to the first year of the Four-Year Public Investment Plan. Moreover, progress has been made in the systematic preparation of statistical data linking up the transactions of the public sector with national accounts. However, Colombia has not yet drawn up a national economic budget to improve the co-ordination of economic policy with the plans in question. In addition the technique of budget programming has not yet been introduced in some autonomous institutions.

31. In Chile, the Planning Department of the Production Development Corporation prepared a Ten-Year Economic Development Plan for 1961-70, which was approved by the Government in 1961. The Committee for Economic Programming and Reconstruction (COPERE), composed of Ministers of State and senior public officials, is responsible for co-ordinating its implementation. Unofficial sectoral co-ordination committees have recently been set up to see that activities relating to economic development of the public sector are properly co-ordinated. At the regional level the tasks of co-ordination and the provision of information fall to the regional committees for economic development which operate in the provinces and are composed of public officials and representatives of the factors of production. The chief economic development projects are included in the annual capital budget through which they are executed by the agencies concerned. The Central Planning Office forms part of a decentralized institution - the Production Development Corporation - and there is no national economic budget or budget programming system to reflect development
plans clearly. As statistical information with a bearing on the plans is not systematized, the plans cannot be regularly revised at the proper times.

32. In Ecuador the agency responsible for planning is the Economic Planning and Co-ordination Board, attached to the Office of the President. A development plan — the "Crash Plan" for Economic Development — has been prepared and is partly implemented through the national budget. The capital budget is now based on the system of programme and performance budgeting. The national budget is prepared by the Budget Authority which is attached to the Treasury. Ecuador has no long-term development programme and has not yet prepared a national economic budget, mainly because of the lack of statistical information and of sectoral planning units at the ministerial level, but it is now engaged upon rectifying both these deficiencies.

33. In British Guiana the Government makes economic development plans for five years which are implemented annually through the economic development budget. The development programme for 1960-64 is being executed in its different aspects after having been prepared by the Central Planning Office in conjunction with the Prime Minister. To carry out the programmes, annual executive projects and programmes are drawn up and included in the yearly development budget which embodies the economic and social investment of the Central Government. The statistical system has been adapted to some extent to supply the information required by the plan. Up to now the Government has not had any national economic budgets to use for co-ordinating economic policy with plans and budgets.

34. In Surinam the Planning Office drew up a ten-year economic and social development plan for 1954-63, and has already approved its extension for an additional five-year period. The annual budget includes a development plan item for the fiscal year in the appropriation for the Ministry of Development under the head of investment expenditure.
35. In Venezuela the Central Co-ordination and Planning Office that operates at the level of the President's Office prepares the Four-Year Economic and Social Development Plan and makes annual development plans. As far as the activities of the public sector are concerned, the annual plans are set forth in documents appended to the budget, one of them being the programme and performance budget of the Government. The general budget, which is approved in the traditional way, reflects the executive programmes embodied in the programme annex. For 1963 a national economic budget is being prepared with a view to co-ordinating development plans with the fiscal budget and extending budget programming to autonomous agencies. In addition, the first steps have been taken to establish a permanent system of statistical information, in line with planning requirements. Nevertheless, planning organization at the ministerial level has not yet been extended to every sector or to states and municipalities.

36. Brazil is one of the countries that have attached most importance to regional planning. Its experiments in planning on a nation-wide basis are still incipient, as indicated by the so-called target programme for 1956-60, which was prepared by the Development Council, a subordinate organ of the President's Office. Regional planning is carried out for individual states or regional groups of states. With respect to the former, the greatest progress has been achieved by the State of São Paulo with its plan of action which is reflected in the annual budgets. In the second category, mention should be made of the five-year plans prepared by the Superintendency for the Development of North-Eastern Brazil (SUDENE); by the Superintendency for the Plan of Economic Exploitation of the Amazon; and by the San Francisco Valley Commission. Projects are not completed in their entirety, the National Economic Development Bank being responsible for indicating the lines and principles on which they are to be drawn up. The regional agencies mentioned prepare their own projects. Attempts have recently been made in Brazil to increase planning integration through the establishment of a National Planning Commission at the level of the President's Office, but except for education and agriculture there are no sectoral planning agencies. There is also no co-ordination with the annual budget, which is prepared in the traditional way, and no national economic budget to link these aspects to over-all economic policy.
37. Some of the South American countries - Argentina, Paraguay, Peru and Uruguay - have no over-all development plans at present. A short while ago they began to establish central and sectoral planning offices, collect basic information for diagnoses and projections and create budgetary instruments. In the last three countries, United Nations Advisory Groups are at work and provide technical assistance to Governments in the activities initiated by them.

38. Argentina has been active in a number of ways in the field of economic development planning. A National Development Council has just been created (23 August 1961), to take charge of the preparation of short and long-term development programmes. It is directly answerable to the Office of the President of the Republic. A Permanent Budget Committee has also been established to study ways and means of financing the plans and expressing them in terms of programme budgets, either annual or for a given period of time, and generally to supervise their implementation.

39. In Paraguay, a Technical Planning Secretariat was set up at the beginning of 1962, as a subordinate organ of the President's Office and directly related to the Economic Co-ordination Council. It is composed of Ministers and senior government officials and is responsible for economic development planning, which is now in its early stages. The Ministry for Finance has encouraged the introduction of programme budgeting in the public sector, and has drafted a bill for a new organic law establishing the system on a legal basis.

40. In Peru, the Central Office for Studies and Programmes was set up within the Ministry of Finance and Trade in August 1961, to take charge of planning. The Office is to be given a higher status in order to increase its authority and widen its sphere of action. Planning offices also exist in various ministries, and important sectoral plans for roads, settlement, housing and so on have been formulated and put into effect.

41. In Uruguay, an Investment and Economic Development Commission was set up in 1959, at the level of the Ministry of Finance and works in contact with the agencies belonging to the public sector. The National Government Council has approved various plans which are now being studied
by Parliament. In view of their importance, special mention should be made of the investment plan for 1960, and the social development plan for 1961, relating to the construction of schools and hospitals.

42. After being informed of the measures taken by the different countries with respect to planning and budgets, the participants expressed their concern over certain problems that were hampering the proper execution of development plans and their integration with the budget in a number of countries.

43. Several participants considered that one of the fundamental problems making it difficult to secure the best possible practical results from the process of budget programming was the lack of a properly constructed and integrated system of planning in which country studies and programmes could be based on a permanent and adequate supply of statistical information providing the data required for preparing sound programmes capable of implementation through the budget in due course.

44. Another problem was the lack of a sufficiently comprehensive system for preparing capital projects for inclusion, when necessary, in sectoral investment plans.

45. Some participants drew attention to the problems raised in some countries by the co-ordination of regional development plans (sometimes covering several states) with the state budgets, which continued to be prepared without reference to the guide-lines for the regional plans thus failing to mobilize resources in sufficient quantities for the purposes envisaged.

46. It was agreed that the formulation of development plans without details on the medium-term activities of the public sector made it difficult to prepare the annual programmes for inclusion in the budget since the budget offices had no definite guide-lines to go by in establishing their programmes for the following year.

47. With respect to programme formulation and presentation, stress was laid on the difficulty caused by the fact that, when their objectives were determined and their general aims described, their relationship to the over-all plan was not always explained or their targets reconciled, and that they tended to consist entirely of internal data which were of little interest except to the administrative unit in charge of programme implementation.
48. A number of participants pointed to the practical difficulties that were apt to crop up in executing an over-all plan and taking practical follow-up measures through the budget, owing to the general ignorance of the people with respect to plans. This was due to the fact that the different sectors of the population had not been given their proper part in the work of preparing for and formulating a plan, and either failed to understand it, were apathetic or adopted an attitude of what might be termed passive resistance to the specific decisions taken on the implementation of each plan or budget. It was pointed out that the same lack of understanding and support on the part of the people impaired the efficiency of the administration, since not all administrative levels were aware of the purpose of their work.

49. Lastly, a discussion took place on a problem that had been considered at previous Workshops, namely, the role of the technique of programme budgeting in the absence of development plans. It was pointed out that, despite its intrinsic value as a factor conducive to the organization and efficiency of the fiscal administration, its potentialities were reduced in the absence of an integrated planning system and it might even make the budget look as though it were in conflict with a sound economic development policy. Nevertheless, it was admitted that the institution of programme budgeting helped to create the right conditions for the introduction of an integrated planning system.

50. The Workshop expressed its interest in the integration of long and medium-term plans with measures for immediate action. It was necessary to set up a planning system which could achieve that aim by means of the interaction implicit in the existence of an annual plan backed by a long-term plan, and the preparation of plans for the future on the basis of information obtained through the execution of the annual plan itself. Stress was laid on the importance of the budget system as an annual programming mechanism and on the desirability of bringing the technique of budget programming and preparation into line with the requirements of an integrated planning system. It was deemed necessary to make medium-term budget plans to co-ordinate and guide the preparation of annual budgets.
51. Special stress was laid on the fact that the system would be able to operate more successfully if the permanent system of information for programming operations was improved, since it was still unable to meet requirements despite the progress made in the last few years.

52. It was also pointed out that programme budgeting should be extended to the whole of the public sector. Several participants specifically mentioned the advisability of introducing the technique into public enterprises, which exerted considerable influence in a number of South American countries because of their volume of activity, their wide sphere of action and their level of expenditure.

53. At the close of the discussions it was agreed to condense them in a body of conclusions, which cover most of the agenda and are set forth below:

(a) In view of the danger that the zealous efforts made in the field of planning and planning organization may be nullified by deficiencies in execution, and that the vital sense of purpose inspiring those efforts to bring about the economic and social development of the region may be weakened thereby, it is essential to establish satisfactory and integrated planning systems for the long, medium and short term.

(b) Medium-term budget plans and annual economic budgets being the most suitable tools for achieving the integration of planning systems, should be drawn up as a frame of reference in co-ordination with long and medium-term economic plans and with the fiscal budgets of the different sectors of public activity. The integration of long-term development plans with medium and short-term measures could be achieved through the preparation of a plan for the public sector — specifying the Government's activities over the medium term — and of an annual economic budget itemizing the transactions for the forthcoming year and paving the way for the reconciliation of the annual fiscal budget with development plans and of the public with the private sector, questions which were dealt with in the document that served as a working paper for the discussion of this topic.
(c) In order to carry out more efficiently the task of programming — and budget programming in particular — it is indispensable to establish satisfactory and permanent information systems capable of supplying the necessary data, as well as sectoral agencies to formulate projects in a way that would be both continuous and compatible with the programming of the sector's activities in order to facilitate the analysis of different projects in each of the public sector's spheres of action when planning agencies have to fix priorities.

(d) To enable budget programming to operate in an integrated planning system of the kind deemed expedient, the techniques of programme budgeting should cover the whole of the public sector, and especially public enterprises. Similarly, budget programming should establish its own system of internal co-ordination among the different levels and sectors of public activity and, above all, lay particular stress on the harmonization of budget programmes for the different states or regions and their co-ordination with the regional plans or programmes already in existence. The Workshop considered that the subject of regional budget programming should be put on the agenda for future meetings.

(e) Since each budget programme is only one aspect of the annual plan of operations of the public sector, its connexion with the plan should be explicitly stated in its presentation and in the part that deals with budgeting for targets and/or aims.

(f) In order to attain the targets envisaged, the problems raised by the execution of budget plans entail the active participation of every sector of the population. They must share in the formulation of the plans and be informed when necessary of the raison d'etre of each of the specific stages of the plan's application. In this respect, attention was drawn to the value of classification by functions and by programmes to illustrate in real terms the primary objectives and concrete targets for the public sector.
(g) To round off the conclusions, the participants considered that it would be very useful if the United Nations were to create a working group composed of experts on planning, budgets, planning administration, systems of economic information and accounting and control systems, to investigate practical problems connected with the implementation of planning and budget systems, and in particular, specific methods of co-ordinating plans, budgets and administrative organization, the findings to be presented at a seminar that might be organized by the United Nations itself.

3. Application of programme and performance budgeting techniques to government budgeting

54. In view of the need to give practical effect to economic development programmes, it is urgently necessary for budget systems to be directed towards the gradual adoption of more advanced techniques so as to allow these programmes to be reflected in the budget and to help Governments to take more rational decisions. In this connexion, the participants agreed that the introduction into Latin America of modern budget programming techniques and of programme and performance budgeting was of the utmost importance. The workshop considered that several Latin American countries had made considerable progress towards that end.

55. The participants concurred in the view that programme and performance budgeting met one of the chief requirements of economic development programming by providing a set of goals to be pursued in government activities and indicating the concrete results to be achieved. Moreover, the system showed the means -- material, human resources and equipment -- by which those goals could be attained. It was agreed that the nature and extent of a Government's achievements varied and that consequently the programme and performance budgeting technique might be applied flexibly with a view to adjustment to the individual characteristics of the countries concerned. It was made clear that this technique differed substantially from the systems traditionally in use and that its adoption would consequently involve a major effort of adaptation in the administrative structure and procedures of the countries concerned.
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The system of national accounts is kept by the Central Bank. / To be raised to the level of the Presidency. / In the Technical Planning Secretariat.
56. It was unanimously agreed that the gradual introduction of programme and performance budgeting systems into government budgeting practice — as had been the case with a number of Latin American countries — was desirable and that an attempt should be made to provide the system with an institutional structure by means of legislative measures. The Workshop took note of the fact that different methods had been used in providing the system with an institutional framework. Whereas in the United States it had been introduced without the law having to be changed, in many Latin countries more or less completely new legislation had had to be adopted, as in the case of Bolivia and Colombia, where the institutional structure had been established by a provision of the constitution and by legislative decree respectively.

57. The Workshop engaged in a full discussion of the various problems raised by the establishment of an institutional structure for a programme and performance budgeting system and its subsequent operation. In this connexion, it was felt that the establishment and operation of the system was subject to several conditions.

58. It was considered essential, in adopting a programme and performance budgeting system, that the decision to introduce the system should be taken to government authorities at the highest level and that subsequently the application of the system in its various phases should be supported by those authorities. In this connexion, the participants pointed out that in some cases the President of the Republic himself and the Council of Ministers had taken the decision to adopt these new techniques, whereas in others the initiative had come from only a few experts and could not be pursued for lack of adequate political backing; as a result, the system had had only limited application. Reference was also made to the difficulties faced by some countries with numerous autonomous agencies where the central authority did not always have sufficient power to impose the necessary changes. It was recommended that in such cases an effort should be made to induce the agencies concerned to adopt the system by pointing out to them the advantages to be derived from the new methods.
59. Another requirement for adoption of the programme budgeting technique was adequate understanding of the new system on the part of the legislative bodies responsible for analysing and approving the budget. The participants exchanged information on the experience of their respective countries in this respect. It was pointed out that in some countries the congress had welcomed the new methods because they facilitated discussion of the budget estimates, whereas in others parliamentary reaction was weaker because of the feeling that the new techniques might affect the regional interests with which the senators and deputies were concerned. The Workshop considered that the programme and performance budgeting system made it easier for the congress to discharge its functions since it provided a wealth of systematic data which facilitated analysis of the budget and led to more rational decisions.

60. The Workshop agreed that it was important for officials at the different government levels to understand the advantages of the system as an instrument of administration. To that end, they stressed the importance of having experts in organization and methods take part in budget reforms in order to ensure that these were accompanied by changes in the application of the system which would make for more elastic and flexible procedures – advantages appreciated at all levels of administration. Moreover, training courses and the large-scale distribution of manuals on budget preparation were recommended as a means of arousing the interest of government officials in programming.

61. Some of the participants suggested that the different sectors of the population likely to benefit from the programmes should be kept informed and allowed to participate so as to ensure their support and the successful execution of the programmes in the various areas concerned.

62. Experience, it was felt, had shown that any system established in Latin America should be in keeping with the national characteristics of the countries concerned.
63. It was pointed out that the introduction of programme budgeting systems implied changes in the accounting methods used for government transactions in treasury, departments and comptrollers' offices and that such agencies should therefore be consulted and their co-operation enlisted in introducing the new system.

64. The Workshop considered that fulfilment of the conditions stated above determined the extent to which the programme and performance budgeting system could in practice be applied by a Government. It was of the utmost importance that the obstacles to the sound development of a programme and performance budgeting system within an institutional framework should be overcome and that the essential result of this method, namely a change in the thinking and actions of government officials, should be achieved.

65. In concluding its discussion of this topic, the Workshop felt that it should sum up the points dealt with and make the following recommendations:

(a) It should be suggested that Governments might introduce into their budget practices the techniques of programme and performance budgeting as an essential instrument for carrying out short-term programming of government activities;

(b) Governments which have already begun to introduce these techniques should be invited to provide an institutional structure for programme and performance budgeting systems in accordance with the national characteristics of their countries;

(c) It should be suggested to Governments that the budget reforms carried out in introducing the system be studied with experts on organization and methods, with a view to devising improved organization and procedures for carrying out the programmes.
4. Programme and performance budget classifications

66. A classification of expenditure by function, programme and activity or project should be adopted for budget programming and the presentation of expenditure related to the results or goals sought. In discussing the characteristics and methods of programme and performance classification, the Workshop had before it the Manual for Programme and Performance Budgeting already referred to and the document entitled Estructura de un Programa Presupuestario\(^2\) prepared by the secretariat of the Economic Commission for Latin America.

67. Discussion of this topic centred around the problem of classifying government expenditure. It was unanimously agreed that a sound classification by programme, sub-programme and activity — and of the human, material and financial resources they require, prepared in the light of the expendable or non-expendable character of these resources — would provide the data needed to distinguish between current and capital expenditure, to ascertain the operating costs of the programmes and to analyse public expenditure from the standpoint of its expansionary effect on national income.

68. While recognizing that valid guidelines generally adopted for determining the economic character of expenditure were provided both in the Manual and in United Nations documents relating to national accounting systems, it was pointed out that the definition of public investment was subject to different interpretations which in practice prevented a clear-cut separation between current and capital expenditure. Reference was made to repairs and maintenance, expenditure on research, studies and prospecting, and to expenditure on health and education. In that connexion, if a specific concept of investment was not officially adopted in the budget, it was a matter for the discretion and judgement of the investigator to decide what would best suit his purpose.

69. Some participants pointed out that the concept of public investment covered programmes, sub-programmes and projects as well as the demand for capital equipment required by the Government in discharging its functions. In other words, the concept of public investment was based, on the one hand, on determination of the Government's production and,

\(^2\) E/CN.12/BRW.2/L.6 (issued in Spanish only).
on the other, on determination of the inputs needed for the programmes, account being taken of their expendable or non-expendable character, i.e. whether or not they were consumed by use. It was emphasized that knowledge of the operating cost of a programme was in no way dependent upon the nature of the programme - whether current or capital - and that in calculating costs all that was required was a distinction between the expendable or non-expendable nature of the inputs required and the adoption of adequate depreciation procedures.

70. The discussion then turned to the advantages and disadvantages of presenting two budgets: (a) a current transactions budget; (b) a capital budget. Opinions were divided, as some participants admitted that there might be some advantage to that kind of separation from the standpoint of facilitating financing, while denying that technical considerations militated in favour of either system, or that formal separation into two budgets might be justified if the intention was to establish more flexible methods of executing investment programmes. It was pointed out that it would hardly be logical to modernize budget execution for the building of roads and parks and not to do so for medical treatment or education. However, the same participants mentioned several practical problems in the presentation of capital budgets, such as: (a) the fact that some types of investment were more closely and logically related to operating programmes than to other capital expenditure, as in the case of equipment purchases, etc., and that it seemed more rational to budget such investments as programme requirements, whatever their nature, and not to group all the investments in a separate document; (b) that some financial investments appeared in the investment budget without a clear explanation of their justification, e.g. the purchase of movable assets in a programme of financial assistance to domestic industry the administration of which appeared in the current budget; (c) that the adoption of a capital budget required a certain degree of evolution in budget accounting not in line with the situation in Latin America. For while the direct cost of building a road could be readily ascertained, it was decidedly difficult to allocate this item the amount spent on studying the project, or the corresponding
share of the administrative costs, which was the only way to ensure comparability between total construction costs in the case of works projects carried out by direct administration and those entrusted to private enterprise.

71. Other participants were in favour of separating current and capital budgets, since separate identification of capital programmes facilitates the formulation of fiscal policy and leads to clearer decisions on current expenditure and the treatment of capital expenditure, thus expediting the means of financing with respect both to the contracting of loans and to increases in domestic taxation. As to its administrative advantages, it was pointed out that an attempt might be made in future to render the implementation of the capital budget more flexible and to simplify the processes of State investment, which are extremely important for the promotion of economic development in all the countries of the region. It was further contended that while present accounting control systems - unduly ponderous and rigid for proper budget operation - were being improved, steps might be taken to create a more flexible and adequate system of investment control so as to facilitate the execution of specific projects. A capital budget would lead to better co-ordination of investments and their medium-term programming through the formulation of investment programmes for three or four years which would ensure continuity of essential public works.

72. Other participants stressed the desirability of adopting a new criterion for classifying programmes within the budget by dividing them into programmes for the operation of public administration and programmes for economic and social development. They felt that such a criterion would be more closely related to the functional classification of expenditure and that it tended to show the immediate goals aimed at in the activities established under the programmes. Such a separation of programmes would make the State's action easier to follow by assessing not only the additional capital implied by some programmes but also the increases in productivity obtainable by other means such as, for example, expenditure on education, public health and other social services designed to improve the quality and skills of the human resources and
increase their yield and contribution to the economy. It was suggested that it might be possible to formulate an operating budget and an economic and social development budget which would be closely related to the economic and social development plans formulated for the long and medium term. The participants agreed that the topic discussed warranted close study by national and international technical agencies and that their conclusions might be of considerable benefit to the efforts being made in several countries.

73. The Workshop noted that in many of the republics which applied the system the programmes were not properly arranged, and the relationship between annual programmes by sector – i.e. agriculture, education and health – and the respective sectoral development plans was therefore difficult to identify. Such lack of co-ordination was due to the fact that in some countries programmes were established at the departmental level and in others at the ministerial level. For example, in the United States and Philippines budgets, programmes are established within ministerial departments or agencies and the essential aim is to measure the efficiency and costs of programmes and activities. In many Latin American countries, on the other hand, programmes are established at a higher level and are arranged by functions within a ministry. Thus, all programmes of the same type can be brought together under a single function in spite of the fact that they are the responsibility of different departments, and they can more easily be co-ordinated with sectoral development programmes.

74. The Workshop stressed the fact that allocations in the United States and Philippines budgets were made at the level of the programme, or of the activity in over-all terms, whereas the Latin American countries were reluctant to allow much flexibility in the allocation of funds in order to avoid excesses in expenditure. The point was clearly made that flexibility and greater discretion in the use of funds would be acquired as countries improved their staff training and their organization.
75. Another important difference in the budget procedures of the United States and Philippines, on the one hand, and the Latin American countries on the other, was that the former were chiefly interested in measuring the cost of activities, whereas the latter were interested in the problem of programme targets and the establishment of end products leading to a systematic process of determining targets for programmes suggested by government departments in order to adjust them to the requirements of long and medium-term development plans.

76. The Workshop felt that a set of standards should be established leading to uniformity in the elaboration and presentation of specific operating programmes. Before such uniformity could be achieved, a clear definition of an operating programme and its components was essential.

77. The Workshop suggested that a programme should be defined as an instrument in the performance of the State's functions, by which objectives or targets - whether or not quantifiable in terms of an end product - could be laid down and achieved through a collective effort with the help of the human, material and financial resources assigned to it, at a specific total and unit cost, its execution being the responsibility, in principle, of a high level administrative unit within the Government. For example, education as a function could be divided into programmes of primary, secondary and higher education, etc. Each programme could be divided, if necessary, into various sub-programmes.

78. The Workshop proposed that a sub-programme should be defined as a division of certain complex programmes aimed at facilitating execution in a specific field, by virtue of which partial goals were set, to be achieved through concrete action undertaken by specific operating units with the human, material and financial resources assigned to them, and at a specific cost. For example, an intermediate education programme might be divided into sub-programmes - regular secondary education, business, industrial, agricultural, vocational training, etc. - all of them carried out by clearly-defined operating units.

79. In view of the fact that the attainment of a goal established in relation to the end product within a programme, or of partial end products
within a sub-programme, is achieved through certain activities, the Workshop suggested that an activity should be defined as a more limited division of each of the actions undertaken to achieve the targets of an operating programme or sub-programme, consisting of the execution of certain processes or works (through the use of the allocated human, material and financial resorts and at a specific cost), for which an intermediate or low level administrative unit, e.g. a division, is responsible.

Teaching, the publication of teaching material, research, etc., might be activities constituting part of a sub-programme on business training.

Since the execution of an activity presupposes, in turn, the fulfillment of certain stages within a process, known as tasks, the Workshop proposed that a task should be defined as a specific operation forming part of a process aimed at achieving a specific result. For example, the following tasks might be established as part of the activity of publication of teaching material: drafting of texts, publishing, distribution, storage, etc.

As in the case of operating programmes, a set of standards can be laid down for the presentation of investment budget programmes. In the case of an investment programme, each of the parts comprising it would have to be defined. The programme might be divided into sub-programmes, projects, works projects and labour.

The Workshop proposed that the "programme" should be the instrument for the setting of targets to be achieved through an integrated set of investment programmes. A sub-programme would represent a division of complex programmes covering certain specific areas in which investment projects were carried out. A project would be defined as a series of works carried out within an investment programme or sub-programme, for the formation of capital equipment constituted by the production unit capable of functioning independently. The term "works" would mean a specific capital good forming part of a project: a school, a road, a hospital or a building. Lastly, "labour" was defined as a systematic effort to execute each phase of a works project: excavation, levelling, clearing, and other operations required for the construction, say, of a road. With these definitions, budget categories can be established and co-ordinated with national medium-term investment plans and long-term economic development plans.
83. The participants made it clear that the above definitions were only guidelines for the establishment of programming, and that research into these concepts should be continued. It was pointed out that an agreement should be reached among experts on the concept of a project, which now meant different things even in budget, economic and engineering terminology. Note was taken, moreover, of the desirability of indicating in the budget the stage of progress achieved in the projects to be undertaken in a coming budget year by specifying whether they were new, under way or nearing completion.

5. Performance budgeting and accounting

84. The Workshop noted that the introduction of performance budget concepts makes increasing demands on government accounting systems. In traditional budget practice, financial data are required for operating and control purposes in terms of the object of expenditure and the organizations that use the funds. A decision to adopt a performance budget does not change these needs, but when agency programmes and activities become the primary classifications for control over execution of the budget, the accounting system must also be capable of providing timely and accurate financial data to provide for effective management and control of programmes and activities.

85. These additional needs can be satisfied without radical changes in accounting practices at the time of conversion to the performance budget; refinements and improvements can be introduced at a later stage. However, it was considered essential to provide support in the accounts for the new budget classifications, which would not necessarily be a complicated adjustment. For example, where the existing accounting system provide data by organization and the new programme activities are consistent with organizational units, no substantial changes are required. Where activities are not in line with organizational units, however, or accounts are maintained by object of expenditure, problems of distribution arise, which have to be solved in different ways according to the situation in each country. Problems may also arise where the accounts are based
on a classification of expenditure partly by the origin of funds and partly by their use, and where the classification by object of expenditure is considerably more detailed than the classification in the existing accounts, in order to provide detailed information on the composition of government demand.

86. The primary accounts can be set up by activity and still follow the lines of organization and object of expenditure, or activity distribution accounts can be established under primary organization or object accounts. Another simpler alternative is to use a cross-classification table, showing the classification both by organization or object of expenditure and by activities, which can be used to make such distributions from the primary accounts as are necessary for budget and management purposes.

87. The Workshop considered that by the use of such methods the added performance budget requirements could be satisfied without any major adjustments in accounting practices. However, the participants considered that to meet the need in all cases it would be advisable to adopt integrated financial management systems with common classifications for programming, budgeting, accounting and reporting. This would mean that budget activities and accounts would be adjusted so that the same classifications could be used. Those classifications would then be compared with the administrative structure used by each agency to control budget execution -- organizational units, works projects, etc. -- and adjustments would be made to bring the budget and accounting classifications as much into line with the agency structure as possible. Under this system financial data accumulated in the accounts by activity would serve programming needs and support budget proposals, and would also provide the basis for reporting on performance and controlling the use of resources in execution of the budget.

88. The Workshop also recognized that the level of the appropriations in use would complicate this classification problem. For example, if a single organization had a number of appropriations that did not follow programme lines, the development of activity information would be more difficult. In such cases analyses and combinations of financial data would be required to provide the necessary information. To facilitate performance
budgeting the number of appropriations to an agency should be kept to the minimum and should be made in terms of programmes. However, for the purposes of the data required by the planning system, it would be appropriate for the broad headings by object of expenditure to be subdivided into more detailed items showing the origin of the inputs, without prejudice to the overall level that the appropriations should reach.

89. The Workshop also considered other financing techniques useful in programme and performance budgeting, such as the revolving fund. This type of fund is applicable to operations that generate receipts but do not qualify in all respects as separate enterprises. With this technique commercial accounting is used, giving management maximum flexibility in the use of available funds, reflecting more clearly the relationship between revenues and costs, and identifying costs on the basis of services rendered. This financing technique could be applied with good results to many operations and activities in economic development programmes. Revolving funds can also be used for the control and use of inventories or equipment facilities used in common by several programmes, and for central service organizations providing administrative services for constituent units of a department or ministry.

90. The Workshop recognized that two types of financial control are desirable in performance budgeting, namely control over the use of appropriated funds, and control of programme costs. These controls are exercised in terms of the phases of a financial transaction, i.e. commitments, reflecting orders placed for goods and services; accrued expenditure, representing goods and services received; disbursements, representing payments made, and costs, reflecting goods and services used. It was understood that the choice of the basis for control in each country would depend on the extent to which the country's accounting system had been refined. However, to ensure that operations are conducted within appropriation limits, fund control should be exercised in terms of commitments. The most accurate programme control is in terms of costs, which reflect the physical accomplishment of programmes.
The participants considered that fund control should be exercised through (a) allotments of funds to the user organizations; (b) procedures requiring the use of funds to be planned and authorized in relation to the period of availability, and (c) periodic reports reflecting how much of the funds allotted have been used, and what balance remains available. The number of allotments should be kept to a minimum, and their use should be limited to their primary purpose of fund control. For purposes of programme control, the Workshop considered the use of a financial planning process under which responsibility for the conduct of programmes would be placed in organization units, and operating budgets would be approved for each organization to identify the work, the time schedule and the estimated costs. Such an operating budget would include flexible cost targets established in relation to the time schedule of the work under the assigned programme. In combination with data accumulated in programme activity accounts, these operating budgets would provide the bases for performance reports showing results in relation to the approved programme and final plan.

The above considerations also have implications regarding the form of financing employed for budget programmes and the accounting basis to be used for management and control purposes. Considerable attention was given to the level of appropriations, and to the possible use of the revolving fund technique. However, the participants recognized that many beneficial improvements, particularly as regards the variety and kinds of accounting data that could be developed, might be considered as desirable objectives in the future refinement of accountancy systems over a period of time. This is particularly true in view of the lack of trained and qualified staff for this work.

The Workshop also considered how accounting systems could best be adjusted to keep pace with budgetary developments in the countries of the region. Government accounts should be more responsive to the financial management needs of performance budgeting. Although the traditional accounts provide adequate control over the availability and use of funds, they do not furnish the information on programme results required by
performance budgeting. Moreover accounting systems should provide financial data of better quality and covering more different categories, to meet recognized needs at different levels of government with respect to planning and control of budget execution. Special reference was made to the fact that government accounts in many South American countries are maintained by independent comptrollers' offices and that consequently agreement would have to be reached with those offices on the form and content of accounts needed for effective planning and execution of budget programmes.

94. Many participants agreed that the adjustment of accounts to the classifications of performance budgeting presented no great problem. However, there was a need for better integration of the performance budget and accounting systems, and for training the staff in each of those fields to understand and recognize the requirements of these two elements in the integrated financial management system. The use of modern accounting machines and electronic equipment would facilitate the task of providing the various types of statistics required for budget planning and execution. The expenditure data produced by traditional accounting systems were not adequate for programme budgeting, and attention should be given to establishing more clearly the actual costs of executing programmes. Some participants issued a warning against the dangers of over-emphasis on the concept of unit costs, and reference was made to the possibility of using sampling techniques to obtain useful cost information.

95. Other participants referred to the importance of adjusting administrative systems to performance budget concepts; unless the administrative practices of Governments were brought into line with budget and accounting systems, the full benefits of performance budgeting would not be obtained. 96. In brief, the Workshop recognized that the traditional accounting systems could be made to serve the immediate needs of performance budgeting. The impact of revised budgetary practices on the accounts depended on the adequacy and efficiency of the existing system. While there was no real problem in adjusting the accounts to provide adequate data for the immediate requirements of performance budgeting, attention should be given
to the modernization of existing systems to provide improved financial data for more effective planning and management. For example, besides the traditional methods of exercising fund control, organization heads should work out expenditure plans as a basis for programme control. The development of cost and unit cost accounting systems for such purposes should be gradual, and care should be taken that the systems are designed to meet specific management needs and are effectively installed. At the conclusion of its discussions on this subject, the Workshop agreed on the following conclusions:

(a) All public sector accounting systems should be adapted to the programme data needs of performance budgeting, and accounting systems should be revised so as to provide the information and control data required for economic development planning, budget programming, and control over execution.

(b) Integrated financial management systems should be established that employ consistent classifications to unify the programming, budgeting, accounting and reporting operations and produce financial data serving economic and development needs as well as financial control requirements.

(c) Improved accounting systems should be developed in close cooperation with comptrollers' offices to establish, with due regard for audit requirements, a financial planning process that provides a time-table for the use of funds, estimates of the costs of programmes or activities and a picture of the planned physical accomplishments; there should be fund control practices to safeguard against over-expenditure of public funds, programme control practices that aim at the accomplishment of physical objectives within estimated costs, and a system of reporting that will relate actual results to the financial plan in terms of fund control and the attainment of programme objectives.
(d) The reform of the integrated budget and accounting systems should take place in successive stages so that the operating agencies can adapt their administrative systems (organizational structure and operating procedures) to the requirements of planning, programming and control.

(e) Specific methods should be studied and developed for accounting and control in respect of programmes and activities in different situations, so as to facilitate execution and provide the data required for economic, planning and control purposes.

(f) Models of programme execution should be formulated, to make it clear how activities can be carried out in accordance with a financial programme that includes planned timetables, and within estimated fund and cost limits.

(g) Methods should be studied and developed to enable the financial effects and physical achievements of the operations of autonomous agencies and enterprises to be brought within the budget planning, review and control processes as rapidly as possible.

6. Measurement of performance

98. The Workshop used chapter IV of the Manual for Programme and Performance Budgeting as a basis for its discussions on this item. The chapter indicates that in performance budgeting physical measurement facilitates the review of the budget, administrative evaluation of the state of progress in the work planned, and analysis of staff output. For these purposes several kinds of measurements are useful, including workload measure, measure of end products, and measure of achievements. The participants recognized that the last two are generally measures of programme progress, and do not necessarily reflect the work performed.

99. The discussion of this subject made it clear that when performance budgeting is adopted the first step should be to analyse the programmes and activities in order to identify the kinds of physical measures most useful to management for purposes of review, evaluation and analysis. It was recognized, however, that not all these measures are needed immediately upon conversion to a performance budget; at the first stage simple systems for identifying workloads are sufficient, in conjunction with plans for further refinement and development.
100. It was also pointed out that an important step in the initial analysis is to identify operations that do not lend themselves to the establishment of measures of performance. These include operations where staffing does not depend upon the flow of work. In such cases, an analysis is advisable to establish a staffing pattern on the basis of the best available indicators, to be used as a constant until there is some change in the basic factors. This avoids unnecessary costs in maintaining a measurement system of little value to management.

101. For those operations that are measurable, the Workshop recognized that more precise data on manpower and financial requirements can be furnished to management by a system of performance measurement. This would relate time used in the performance of work to the volume of work completed, so as to establish a performance rate that identifies manpower requirements for a given workload. A further refinement is the unit cost system; the total resources used in the performance of a given volume of work are divided by that volume giving a ratio which makes it possible to determine the budgetary requirements for an estimated workload.

102. In reviewing this section of the Manual, it became evident that the identification of appropriate work units for a work-measurement system is most important, since an unsuitable choice will produce inaccurate results that can lead to wrong management decisions. To meet requirements, work units must be countable, they must express work effort, must be capable of verification against other control records, and must be comparable over a period of time. They must be expressed in familiar terminology and their meaning must be clear to the staff concerned. Quality controls are also an important adjunct of the system, and should be included in the definition of the work unit or otherwise provided for so as to ensure the maintenance of an adequate product; in addition, an adequate system of recording, reporting and analysis must be developed to obtain optimum results.
103. The Workshop also recognized that effective results would depend largely on the co-operation of the employees being measured. Employee confidence in the system could be obtained by explaining the system and the reasons for its use, inviting employees to participate in its development, and running a pilot test to show how it works. Once a work-measurement system is in use, the employees must be kept informed of the production rates attained and how they compare with rates in similar operations. Management must also demonstrate the effective use of the results obtained by the system, and to obtain the maximum value from its use, measures relating to the shifting of employees, changes in organization and procedures and the establishment of budgetary requirements should be related to those results.

104. The Workshop considered the importance of working out physical measures that would permit complete coverage of budget programmes and results achieved, and the desirability of establishing performance ratios wherever feasible to make possible better administrative analysis of operations. It was recognized that performance ratios have special significance because they relate the inputs (labour, materials, etc.) to the outputs (completed work, end products, etc.) of a programme or activity. Some participants issued a warning against over-refinement in developing unit cost systems, since this could lead to excessive paperwork and unduly high costs in maintaining the system. In that connexion, reference was made to the use of statistical sampling as a possible basis of measurement. It was also suggested that even with traditional budgeting and accounting, performance ratios could be established that would be useful for management.

105. In concluding the discussion, the Workshop drew attention to the following problems in the measurement field: (a) the tendency to attempt to measure operations that are not measurable, and (b) the difficulties of maintaining quality in the work when an operation is under a measurement system. On the first point, it was stressed that the aim is not to count the number of letters written or pages typed, but to identify the manpower needed or the cost of producing the results of work effort in a programme or activity. With respect to the quality of the work the participants recognized that there is no single method of safeguarding continued quality.
Several approaches were suggested: (a) the inclusion in writing of the quality aspects in the definition of a completed work unit; (b) the possibility of establishing separate quality standards, and (c) the idea of giving the immediate supervisor responsibility for ensuring a steady level of quality in the work produced. In that connexion it was noted that studies are available on the question of setting quality standards.

7. Installation of a performance budget system

105. The Workshop regarded this item as of the greatest interest, and agreed to conduct the discussions on the basis of four main questions: (a) problems related to the broad aspects of installing a performance budget system in the administration; (b) specific questions relating to the installation of this system in the case of capital projects; (c) special aspects relating to its installation in public enterprises, and (d) the problems of administrative organization that have to be faced in the budgetary system when the new method is adopted and put into practice.

(a) The broad aspects of installing a performance budget system

107. The participants first discussed where the performance budget system could be applied during its first year of operation, with a view to extending it to the whole of the public sector. The alternatives would be (i) to apply a fairly complete system of performance budgeting to certain ministries or departments that could serve as pilot projects for the rest of the administration in subsequent years; (ii) to apply the basic elements of the system to the whole of the central government administration, with the intention of making further refinements in later years and gradually extending it to the rest of the public sector, and (iii) during the first year to select certain programmes, whatever the agency responsible that are of special importance in economic development and are calculated to produce results of significance with respect to the planning, accounting, control and administration of human and material resources, thus providing an ideal basis for any attempt to extend the system to the rest of the public administration. Experience in this field has varied in different countries. The Workshop was
inclined to recommend that in those countries where performance budgeting had not yet been introduced, it should be adopted as broadly as possible, in order to avoid the simultaneous application of two different budgetary techniques, which might hold up the implementation of the new system.

108. The Workshop also considered the possible order of installing the system in relation to the various elements in each programme. It was considered that the fundamental change in replacing the traditional system by performance budgeting consisted essentially in breaking down the object of the appropriation along programme lines; hence the first task was to make a careful analysis of the activities of each agency, and the objectives aimed at. That would involve studying what gaps or duplication of effort existed in particular fields, and attempting to remedy them by establishing a consistent and integrated programme order, in conjunction with a positive willingness to allocate government resources, in terms of the programmes, in the light of the criteria governing sectoral and over-all priorities adopted as part of a consistent economic policy.

109. The participants noted that during the first stage it might be easier to establish physical programme objectives in terms of possible long or medium-term objectives than to establish firm criteria governing the distribution and allocation of items of expenditure among the various programmes. It had been observed in countries where the first steps had been taken in installing the new system that certain budget allocations that were centralized in the traditional system could not easily be allotted to specific programmes, which made it difficult to estimate the cost of the programme. However, it was agreed that these and other problems could soon be solved once sufficient experience had been gained with the criteria governing the allocation of costs by programmes, and cost accounting on programme lines had been established.

110. The participants indicated that there were other fields for immediate action in programme budgeting. Experience with modern organizational methods and systems made for greater administrative efficiency and a better use of human and material resources, which had a favourable effect on the unit cost of programmes. Similarly, the introduction of manning tables for
each programme opened the way for more uniformity in executive and administrative categories in the public administration, and facilitated analysis of the composition and special skills of the labour force absorbed by the public service. The Workshop considered that those elements, too, might be progressively improved once performance budgeting was formally adopted, although they might in fact exist in a rudimentary form from the first year of the system's operation. It was recommended that the manning table for each programme should be submitted in a manning table budget annex, which should cover the whole of the government labour force, and should be administered by the central office of personnel according to the normal civil service rules.

The participants also referred to the process of converting the annual budget into an instrument for executing development plans. In the first stage of the operation, once the basic task has been performed of selecting those budget programmes that accord most closely with development goals, a series of problems arise relating to quantification and criteria for the measurement of physical results, and such problems cannot generally be solved until the new system has been operating for a certain time. In that connexion, it was deemed most important to install at the outset a system of accounting and control for the goals of programmes whose physical results are quantifiable and significant, thus making it possible in subsequent years to estimate the amount of the physical results aimed at under the programme, so that the results can be linked with the estimated financial allocation. The participants thought that a new classification of expenditure by object should be established, appropriate to the needs of performance budgeting.

At the end of the debate on this item, the Workshop suggested that the system should be installed in the following stages:

(i) Obtaining the support of the political authorities in applying programme and performance budgeting.

(ii) Forming a working group, at the level of the central budget office, responsible for designing the performance budgeting
system, to be applied in accordance with the situation in the country concerned. This group would make suggestions as to the preliminary list of programmes to be executed by each ministry. It would form a preliminary nucleus for organizing a programme budgeting unit within the central budget office.

(iii) Organizing seminars to train staff in the ministries and departments, and in the decentralized agencies, and co-operating with such staff in working out methods of applying the system in the bodies concerned.

(iv) Preparing manuals, instructions and requisition forms to enable the various public services to draw up their programmes and requests for allotment.

(v) Disseminating budgetary techniques throughout the various levels of the administration, and to the public.

(vi) Providing incentives for government officials with a view to promoting the new system.

(vii) Furnishing the units executing the programmes with technical assistance in drawing up their programmes and requests for allotment, and collaborating with these units in the task of filling out forms and carrying out instructions.

(viii) Co-ordinating the various programmes and preparing the budget estimates in accordance with performance budgeting techniques.

(b) Specific matters relating to the application of performance budgeting to capital projects

113. The Workshop devoted special attention to the illustration of the application of performance budgeting to capital projects given as an annex to the Manual

A control schedule is prepared for each project with a view to establishing the financial and operational plan as a whole and in annual segments covering a seven-year period. When the control schedule has been approved by the head of the agency, it must be followed by all units of the organization and provides the basis for reports on the use of funds and on performance in fulfilling the physical and financial plans.

It was noted that the system has several desirable features. These include (i) a uniform method of coding work and financial transactions for all projects; (ii) the provision of total cost estimates and expected returns; (iii) the establishment of long-term and short-term plans; (iv) the annual review of plans, time schedules and estimates, and (v) the use of uniform control schedules, fund allotments, cost authorizations, and reports that measure performance against an approved plan.

Discussion centred on the methods of fund and cost control for the projects. Fund allotments are recognized in the approved control schedules, which relate the planned use of available funds to the time period of the plan. Obligations and accrued expenditures are recorded against this allotment in a ledger that provides a running balance of unused funds. Monthly reports prepared from this ledger provide management at all levels with the information necessary for fund control. Similarly, estimated costs set forth in the approved control schedule in relation to planned physical accomplishments and the time period of the plan provide the basis for programme control. Cost authorities (work orders) authorize a segment of planned work at an estimated cost. Cost data recorded in work order ledgers furnish financial data for monthly cost and progress reports that show cost and physical work performance against the plan in the control schedule. These reports keep management at all levels informed of the progress of programme execution.

The workshop recognized the system as one that would be beneficial for capital projects of a construction nature regardless of the method employed for financing such projects in individual countries. The participants noted the many desirable features of the system, which include (i) the provision of benchmarks for the evaluation of progress in
completing programmes and projects; (ii) the continuing check of actual experience against planned performance, which permits corrective management action, and (iii) continuing evaluation of operations and results, which stimulates refinement of practices and procedures.

117. The Workshop considered the possible use of this kind of system for autonomous agencies engaged in similar kinds of programmes and activities. Many years of experience have shown that the system is feasible, that it is useful both for the executive agencies and the legislature, and that there is no serious difficulty in applying it to autonomous agencies. The application of performance budgeting to development activities of this type is in its early stages in South America, and the system set forth in the annex to the Manual should prove helpful in that effort.

(c) Application of programme and performance budgeting to public enterprises

118. The Workshop discussed in broad terms the application of performance budgeting to public enterprises on the basis of the guidelines set out in the document "La aplicación del sistema de presupuesto por programas a las Empresas del Estado", prepared by the ECLA secretariat.12/  

119. The experience of countries in the application of programme and performance budgeting techniques to public enterprises was reviewed, reference being made in this connexion to the different organizational structures of public enterprises and the various methods of relating their transactions to those included in the national budget. In most South American countries some entrepreneurial activities, such as postal and telegraph services, are an integral part of the budget. Transactions in respect of these services are normally recorded in global terms and in the same way as those of other government departments, i.e., on a commitment basis. Most of the countries are engaged in important activities in the fields of production, trade, and financing through autonomous enterprises whose transactions are not reflected in the budget except in so far as they receive financial aid. The consensus of opinion was that any enterprise, whatever its type and administrative

12/ See Annex III.
relationship with the national budget must, in order to ensure efficient functioning, use a commercial accounting system in which: (1) transactions are recorded on an accrual basis; (2) provision is made for depreciation of fixed assets; (3) changes in inventory values are measured; (4) an account is kept of the value of goods and services received free of charge from other government departments or supplied to them without charge. Where a commercial type of accounting system exists, data of the type required for measuring programme costs - including unit costs - can be easily obtained. In fact, many public enterprises already obtain this kind of data as part of their cost accounting. Such information is essential for planning. However, several participants expressed the view that standard rules on the specific way in which data on the programmes and costs of public enterprises should be included in the budget could not be recommended, since the question depended upon the institutional relationship between the Government and the particular enterprise. In any event, the need to have this information available should not affect the degree of autonomy which these enterprises require if they are to work effectively.

120. Summing up the debate on this topic, the Workshop set forth the following points:

(i) To recommend that in applying programme budgeting to enterprises, the necessary technical adaptations should be made and the utmost flexibility of operation essential to commercial enterprises should be maintained;

(ii) To recognize that the broad outline laid down in the document prepared by the ECLA secretariat provides a sound guide for the application of programme budgeting to enterprises, although in view of their complex nature the methods in question must in many cases be adopted by stages;

(iii) To point out that the application of programme budgeting to public enterprises serves the following major purposes: (a) it provides the enterprise itself with basic data enabling it to take decisions; (b) it provides the central budget office with information on the enterprise's efficiency, the extent to which it
uses its installed production capacity and its general financial position, thus ensuring that the subsidies granted by the Government to offset losses, and the contributions it recommends for financing new investments, are based on adequate background data; (c) it provides a routine flow of information useful to annual, long-term and medium-term plans;

(iv) To reiterate that the introduction of commercial accounting systems is essential to the efficiency of public enterprises and to a proper evaluation of their economic results. For this and other reasons, the adoption of an accrual accounting system, entries for depreciation, and the evaluation of changes in inventory and services rendered free of change, are needed. Cost accounting basically requires the use of these devices;

(v) To recognize that in efficiently organized public enterprises which from the accounting standpoint operate on the bases outlined in the preceding sub-paragraph, the application of programme budgeting requires only minor changes in the substance of the data needed and, in essence, involves merely the systematization of existing internal information used by the enterprise itself;

(vi) To recommend that in applying budget programming techniques to public enterprises, their individual features should be taken into account and as far as possible the system should be adapted to the phases of the production process.

(d) Changes in budget organization for the installation of a programme budgeting system

The Workshop examined in this connexion a document prepared by the ECLA secretariat in which suggestions are offered for reorganizing central budget offices to ensure efficient operation. The participants took a favourable view of the idea of establishing within these offices two departments, one for administrative functions and the other for budget programming. The latter would be responsible for formulation and

13/ Adoptación de la organización presupuestaria a las necesidades de la programación del presupuesto (E/CN.12/BRW.2/L.8).
co-ordination while the former would be in charge of budget execution. The setting up of planning and budget offices in each ministry of service, with responsibility for the formulation of preliminary budget estimates in relation to the programmes established, was likewise considered desirable.

122. The participants discussed the changes and improvements to be made to the internal workings of the public administration so as to ensure the operation of the new system from the outset. The purpose of some of these changes is to ensure greater co-ordination and efficiency on the part of agencies in charge of executing the programmes and may be deemed to come under the heading of organization and method techniques; others are designed to increase the speed of action of the budget execution process, a problem which some countries have dealt with by transferring the authority to pre-audit from the control to the executive agencies, and by setting up teams of budget analysts to do the pre-auditing work and, at the same time, to advise and supervise the formulation and execution of the departmental programmes.

123. Lastly, the Workshop took note of the progress being achieved by the Latin American countries in the training of staff for budget work. Views were exchanged on the type of specialized courses offered to government officials and on the establishment of chairs in schools of public administration and faculties of economics teaching modern budget techniques.
III. CONCLUSIONS AND RECOMMENDATIONS

1. The Workshop noted with great satisfaction the progress achieved by the countries of South America in reclassifying their budgets along economic and functional lines and in undertaking the first steps to introduce the techniques of programme and performance budgeting. The Workshop reaffirmed the recommendation of the first South American Workshop that the *Manual for economic and functional classification of government transactions* should continue to serve as a guide for work in the field of reclassification.

2. The Workshop attached the greatest importance to the need for the Latin American countries to redouble their efforts in planning their economic and social development, with a view to achieving integrated systems that would include machinery for the formulation, execution and control of plans. For this purpose it was considered essential that programming work should be co-ordinated with the work of preparing the budget estimates, and that appropriate procedures for execution and control should be established. Similarly, it was considered important that these activities should be supported by a continuous flow of properly planned and up-to-date statistical data. This would mean that the national budget would perform the basic function of serving as one of the essential instruments for executing development plans.

3. The Workshop considered the techniques of performance budgeting particularly suitable for making the budget an effective instrument in the execution of economic development plans, and reiterated the recommendations to that effect made by the 1959 Workshop.

4. The Workshop also considered that the *Manual for programme and performance budgeting* was a valuable contribution and contained much of the information necessary for the introduction of such systems in the countries of the region. The general rules for classification on a programme basis as set forth in the *Manual* were recognized as useful, but it was pointed out that they should be applied with due regard for the peculiar circumstances and institutional arrangements in the country concerned. It was also recognized that further work remained to be done to make the *Manual* an effective guide for that purpose, especially with respect to the
relationship between planning and budgeting, and that note should be taken of the Workshop's discussions on that point.

5. The Workshop recommended that the secretariat should establish a working group consisting of experts in planning, budgeting, economic and government accounting, administration and information systems, with a view to investigating the practical problems of implementing an integrated planning system with special emphasis on co-ordination between plans, budgets, accounts and statistics. The results of this study should be submitted to a meeting sponsored by the United Nations.

6. The Workshop recommended that the secretariat should publish from time to time a review of developments in the budget field, summarizing any improvements in budget management and control that might apply in South American countries. Such a document would provide useful guidance to Governments in the region, and together with reports of Workshops held in other parts of the world it should be distributed to the Governments of South America at appropriate intervals.

7. The Workshop placed special emphasis on adapting systems of government accounting to the requirements of programme and performance budgeting, and considered that, despite the considerable progress made in introducing the new budgetary techniques, much remained to be done, especially with respect to making present accounting structures more responsive to the requirements of financial management and capable of providing the basic data required for planning and budgeting. Special importance was attached to close collaboration between the comptrollers' offices and the budget offices.

8. The Workshop considered that in recent years the United Nations had given valuable assistance through its technical assistance programme, particularly through the Advisory Groups in the field of general planning and budget programming. Nevertheless, it was thought that the new phase on which the South American countries had entered by initiating the implementation of their plans would require, mainly in the budget field, a still larger number of competent technicians, especially in government accounting, and that the effectiveness of such experts would be increased if they worked with national administrations for longer periods.
9. The Workshop considered that high priority should be given to providing better training for government officials of the various countries in budgetary techniques and government accounting through the organization of training courses.

10. Co-ordination of efforts was required with respect to methods of organization to improve administrative standards, since otherwise no performance budget system could function effectively.

11. Finally, it was felt that the Workshops held thus far had made a valuable contribution towards stimulating progress in budgetary techniques and had provided a useful exchange of experience. It was recommended that another Workshop should be organized in due course.
ANNEX I

LIST OF PARTICIPANTS

1. South American countries

ARGENTINA
Luis Ercone
Chief Adviser, Department of Financial Studies and Research, Ministry of Finance

BOLIVIA
Antenor Santa Cruz
Director-General of Budgets, Ministry of Finance and Statistics
Fernando Bueno
Chief of Budgetary Studies and Programming, Budget and Disbursements Authority, Ministry of Finance and Statistics
Oscar Gandarillas V. 1/
Director, Financial Programming Division, National Planning Board

BRAZIL
Agnello Uchoa Bittencourt
Management expert, Federal Department of Administration

CHILE
Sergio Molina Silva
Director of the Budget, Ministry of Finance
Nicolás Alejandropolus
Chief, Department of Accounting, Comptroller's Office
Ernesto Schiefelbein
Deputy Director, Department of Planning, Development Corporation (CORFO)
Rodrigo Jaque
Economist, Budget Authority, Ministry of Finance
Gustavo Acuña 2/
Programme budget expert, Budget Authority Ministry of Finance

COLOMBIA
Alvaro Londoño
Deputy Director of the Budget, Ministry of Finance and Public Credit
David Fernández
Expert in budgetary management, Federal Budget Authority
Miguel Jordán 2/
Budget programming expert, Federal Budget Authority

1/ Chairman of the Drafting Committee.
2/ Member of the Drafting Committee.
ECUADOR
José Bonilla
Augusto Dávila

BRITISH GUIANA
George Winston Williams

PARAGUAY
Brígido Rodríguez Báez

PERU
Emilio de Althaus
Alvaro Meneses
Ricardo Vargas

SURINAM
Phedor Emmanuels

URUGUAY
Jorge Irisiý
Edison Gnazza

VENEZUELA
Enrique Narciso Guerra
Andrés España
Darío Pavez Basso

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2/ Member of the Drafting Committee.
4/ Rapporteur of the Drafting Committee.
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
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<tbody>
<tr>
<td>Alfonso Santa Cruz, Director of the Workshop</td>
<td>Deputy Executive Secretary, Economic Commission for Latin America</td>
</tr>
<tr>
<td>Gonzalo Martner, Associate Director</td>
<td>Economist, Latin American Institute for Economic and Social Planning</td>
</tr>
<tr>
<td>Alfred Landau, Technical Adviser</td>
<td>Chief, Budgetary Research Section, Fiscal and Financial Branch, United Nations Bureau of Economic Affairs</td>
</tr>
<tr>
<td>Frank W. Krause, Consultant</td>
<td>Specialist in Budgetary Management, Executive Office of the President of the United States, Bureau of the Budget, and Consultant, Fiscal and Financial Branch of the United Nations Department of Economic and Social Affairs</td>
</tr>
<tr>
<td>Carlos Matus</td>
<td>Economist, Latin American Institute for Economic and Social Planning</td>
</tr>
<tr>
<td>Juan Ignacio Jiménez</td>
<td>United Nations expert in budget programming</td>
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1. Review of recent developments in the field of budget management

One of the principal aims of the Workshop held in 1959 was to study ways of improving fiscal programming for economic development. Broadly speaking recommendations at the Workshop dealt with two areas of work in the budget field:

(a) The development of policy accounts providing classifications of government transactions according to economic and functional categories

The Workshop recommended the gradual introduction of classifications according to economic and functional categories because it felt that such classifications provided information essential for the formulation of government policies in the economic and social fields and referred in this respect specifically to the classification schemes presented in the United Nations Manual for Economic and Functional Classification of Government Transactions. The presentation of budgets along these lines has become a well-established feature in a number of Latin American countries. In some countries of the region, the work of reclassification is being carried out by such institutions as the national planning boards, the central bank or the central statistical offices. Several countries have extended this work to government authorities below the central level. In others, the classification of government transactions along economic and functional lines has been developed together with the introduction of programme and performance budgeting.
(b) The problems relating to the adoption of budgets along programme and performance lines.

The Workshop recommended the adoption of programme and performance budgeting as a means of facilitating programming in the public sector and of increasing the efficiency in the execution of the relevant tasks. A number of governments have carried out or are in the process of implementing major budgetary reforms brought about by the introduction of programme and performance budgeting. Budget systems along these lines have become generally recognized as providing for a better co-ordination between the requirements of budgeting and of economic development planning. Moreover in several countries efforts were directed towards the improvement of payment procedures and a general strengthening of the basic accounting system. Work in both of the areas referred to under (a) and (b) has been considerably facilitated through the establishment of the ECLA Economic Development Advisory Groups, the holding of ECLA organized training courses and the services of individual experts as well as the training facilities provided under the United Nations technical assistance fellowships programme.

2. Relationship between the annual budget and the long and medium term plan

Countries in the region have accepted the vital role of the Government in sponsoring and speeding up economic and social development through long-term plans. The execution of long-term plans so far as they relate to the public sector mainly falls on the various executive departments of the Government. In this connexion, the relationship between the annual budget which covers the activities of the executive departments and the public sector in the long-term plan assumes critical importance. If the
new approach represented by planned economic development is to succeed, 
the annual budget should serve as an effective instrument for executing 
the long-term plan. Important aspects of the relationship between the 
budget and the plan are: the extent of the activities covered in the 
budget as compared with government activities included in the long-term 
plan; the classification of government activities in the budget and 
accounts; reporting procedures on the execution of the budget; administrative 
arrangements between the central budget office and budget units in the 
executive departments on the one hand, and the central budget office and 
planning agency on the other.

3. Performance approach to government budgeting

Broadly, performance approach to government budgeting emphasizes 
the things done by government agencies rather than the things purchased 
by them. Compared with traditional budgeting, therefore, in performance 
budgeting the emphasis is shifted from the means of accomplishment 
(salaries, materials, travel expenses, etc.) to the accomplishment itself 
(miles of road built, schools or hospitals built, acres of land reclaimed 
or irrigated, etc.). The things accomplished by government vary greatly 
in nature and significance; accordingly the performance approach 
has to be interpreted in flexible terms to suit the particular characteristics 
of the different types of end-product of different government activities.

4. Performance budget classifications

The formulation of a budget based on accomplishment or objectives 
is facilitated by a classification of expenditure by functions, programmes 
and activities or projects.

A function may be defined as comprising all those expenditure items 
in the budget whose immediate or short-term purpose is the provision of a 
distinct and separate public service such as health or education. A 
programme is a sub-division of a function; activities or projects, in 
turn, are sub-divisions of a programme. The difference between an activity 
and a project can be defined to mean that the former represents a sub-
division of an operating or recurrent programme while the latter is a 
component of a capital or non-recurrent programme. In a performance 
classification, the basic criterion thus is the purpose which the
operations of an agency are intended to serve. A performance classification, to be meaningful and useful, should be tailored to the circumstances of a given country.

5. **Performance budgeting and accounting**

Traditionally, government accounting has been used primarily as a means by which operating officials in the executive have met their responsibility for control of the funds provided by the legislative. In rendering accounts, the operating officials use information classified in terms of the source of funds, the responsible organizations and the objects for which the funds were expended. The same accounting principles apply in performance budgeting, but more recognition is given to serving the management needs of the operating officials. Besides the conventional budget needs for data by fund, organization and object, a performance budget requires accurate and timely information by functions, programmes, and activities or projects; and all of those data must be presented in a form and manner that will permit effective operational and fund control and show the progress being made towards established goals.

6. **Measurement of work**

Measurement of work may be defined as a system of establishing an equitable relationship between the volume of work and either the employee time required for that volume or the cost of all objects, including employee time required. It involves (a) the selection of a technique of work measurement suitable for governmental operations; (b) the determination of the level of government operation at which it is to be measured; (c) the establishment of the appropriate unit for measuring work; and (d) the recording and reporting of the volume of work in terms of the work unit adopted. Activity or project represents the level of operation at which it is suitable to measure work. The work unit should be (i) capable of being expressed in numerical terms, (ii) as far as possible a measure of work result, (iii) a measure of group effort, and (iv) expressed in familiar terminology. While quantitative information is basic in performance budgeting, it does not replace, and has to be supplemented by, qualitative information.
7. **Installation of a performance budget system**

The installation of a performance budget is an evolutionary process characterized by flexibility and adaptability to specific country conditions. A general and comprehensive installation of the system throughout the entire Government may not be practicable owing to staff limitations, the time required and the very size of the Government. A partial approach, therefore, initiating the system in certain government units at first, and extending it to the remaining units in succeeding fiscal years, would be preferable on practical grounds. The specific decisions as to which units should be given priority in the gradual application and extension of the system would depend very much on particular country conditions.

Priority in the installation process may be given to those agencies or departments whose expenditure is strategic in the execution of the development plans. There may be a specially urgent need for budgetary reform in those departments which are engaged in numerous development projects and activities. The criteria of quantitative significance may also be applied and priority given to those departments or agencies whose outlays constitute a large proportion of total government expenditure.
Annex III

LIST OF DOCUMENTS

A. Documents submitted by the secretariat

Provisional agenda
Provisional annotated agenda
Workshop on budgetary classification and management in South America (Santiago, 1959)

List of documents submitted by the secretariat


Algunas consideraciones sobre las relaciones entre la programación del desarrollo y el presupuesto fiscal, prepared by the secretariat of the Economic Commission for Latin America.

Estructura de un programa presupuestario, prepared by the Economic Commission for Latin America.

(The document that was to have appeared under the symbol E/CN.12/BRW.2/L.7 was never issued.)
La adaptación de la organización presupuestaria a las necesidades de la programación del presupuesto, prepared by the secretariat of the Economic Commission for Latin America

La aplicación del presupuesto por programas y actividades a las empresas públicas, prepared by the secretariat of the Economic Commission for Latin America

La experiencia de algunos países de América del Sur en materia de reforma presupuestaria, prepared by the secretariat of the Economic Commission for Latin America

Reseña de los trabajos de reclasificación de los gastos e ingresos públicos en los países de América del Sur, prepared by the secretariat of the Economic Commission for Latin America

B. Documents submitted by the participants, and provisional report of the Workshop

El sistema de presupuestos cuatrionales del Uruguay y sus posibilidades para la aplicación de la técnica de presupuestos por programas, by Jorge Irisity

Gastos e ingresos públicos del Uruguay, by Edison Gnazzo

Aspectos del sistema presupuestario del Paraguay, by Brígido Rodríguez Báez

Clasificación funcional de los gastos presupuestales del Uruguay, prepared by the Office of the Comptroller-General of Uruguay

Introducción del presupuesto por programas en Bolivia, by Oscar Gandarillas V., Antenor Santa Cruz and Fernando Bueno

Organización administrativa y presupuestal de Colombia, prepared by the National Budget Authority
Sector público del Uruguay: Modelo de Clasificación funcional desagregado para la identificación de programas y clasificación económico-funcional, prepared by the Working Group for the Public Sector, Committee on Investment and Economic Development (CIDE), in co-operation with the ECLA/BTAO Advisory Group in Uruguay. 

Administración y ejecución presupuestal en Colombia, prepared by the National Budget Authority.

Ensayo de clasificación económico-funcional de los gastos públicos del Presupuesto Nacional Argentino para el ejercicio 1962, by Luis Ercone.

Experiencia de Venezuela en la implantación del sistema de presupuesto-programa, by Darío Pavez, Andrés Esapaña and Enrique Narciso Guerra.

Orcamentos Públicos no Brasil, by Agnelo Uchoa Bittencourt.

Algunas observaciones sobre los desarrollos en la administración presupuestaria en Surinam, by Phedor Hnmanuels.

Informe provisional del Seminario de Clasificación y Administración Presupuestarias en Sudamerica.

C. Information papers

A manual for economic and functional classification of government transactions (United Nations Publication, Sales No.: 58.XVI.2), prepared by the Fiscal and Financial Branch of the Department of Economic and Social Affairs.