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ADMINISTRATION OF SECTORAL PLANNING

Paper submitted by the secretariat of the  
Economic Commission for Latin America

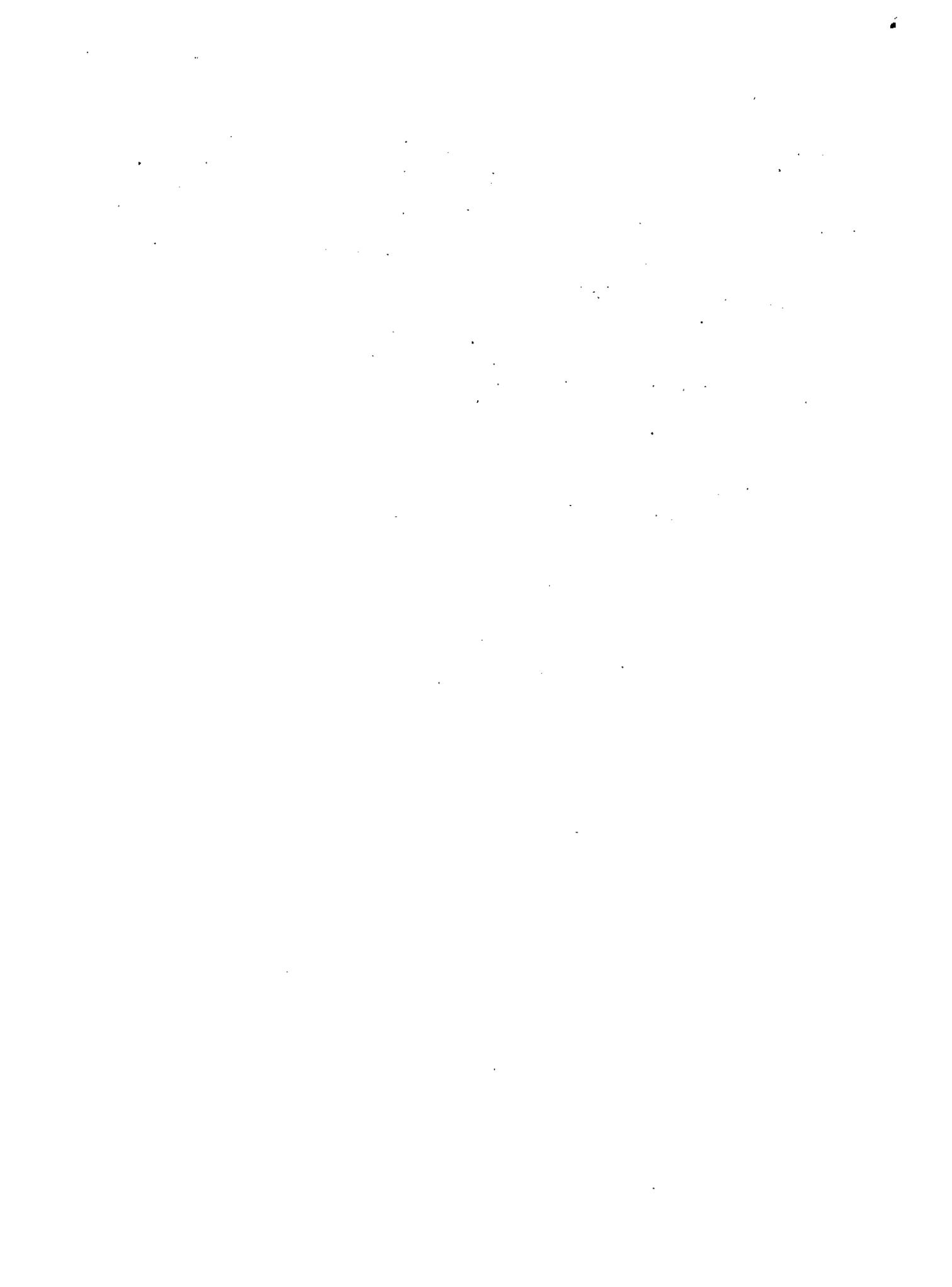
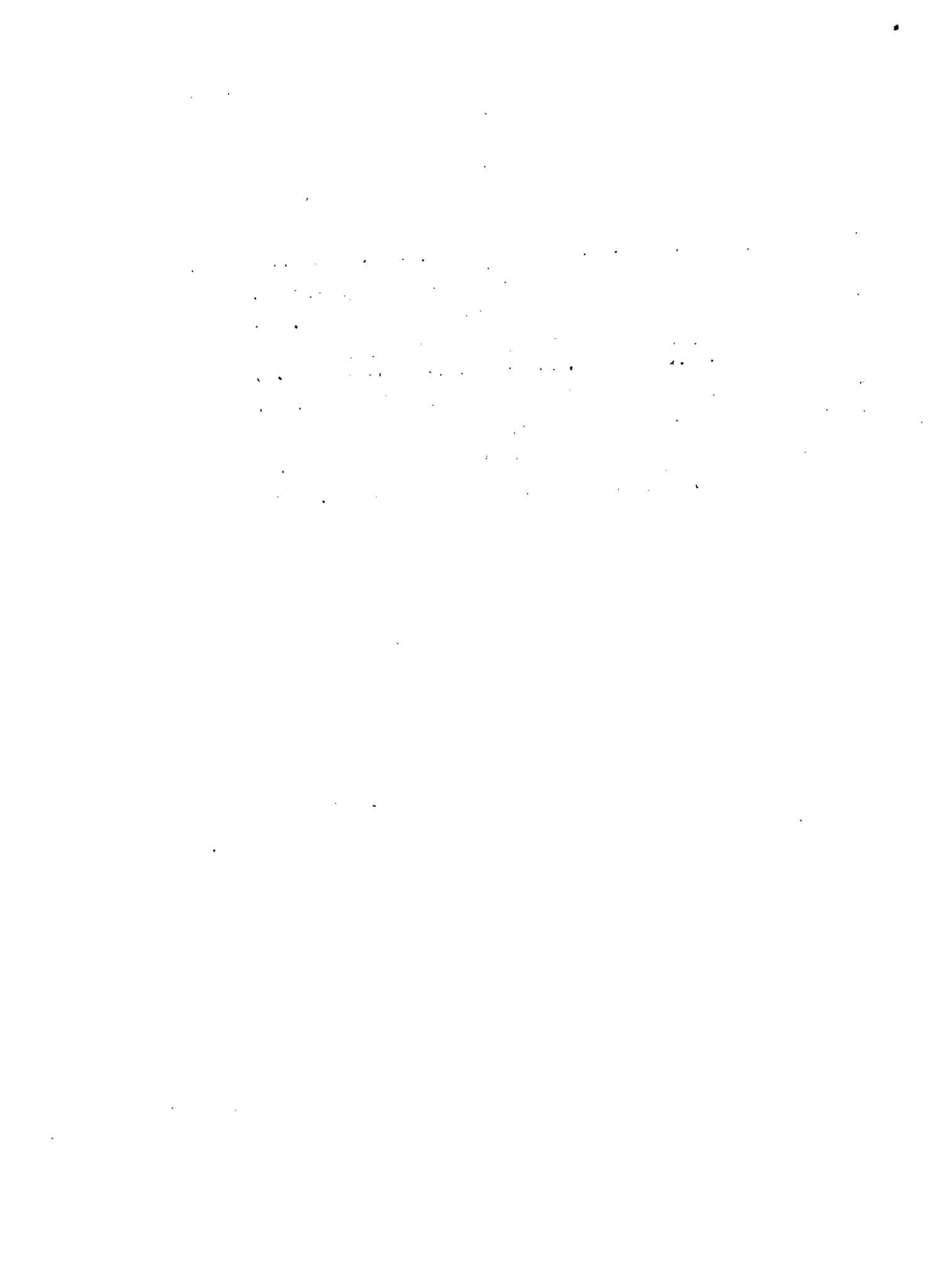


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## I. INTRODUCTION

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

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

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1/ ECLA, Experience and Problems in the Implementation of Development Plans. Planning in Latin America, (E/AC.54/L.13), p.23. See also United Nations, Economic Survey of Latin America, 1964, p.329.

2/ See, for example, Latin American Institute of Economic and Social Planning, Discusiones sobre planificación, 1966, p.49.

Administrative aspects of sectoral planning in general

Government responsibility for the development of an economic sector can be said to have two sides. First, there is the question of political responsibility. The Government answers to Congress for the political content of all that it achieves. By its nature, the political responsibility must always lie with the Cabinet; it cannot be delegated below the ministerial level.

Secondly, there is the question of administrative responsibility, i.e., the responsibility that devolves upon the Government in its capacity as administrator of the public institutions. It implies the performance of all activities in accordance with the law and the efficient fulfilment of the tasks of each institution. The administrative responsibility and the corresponding authority can - and must for practical reasons - be delegated below ministerial level. It is matters related to the Government's administrative responsibility for sectoral planning that are discussed in this paper. Regarding sectoral planning institutions, ECLA has stated that there should be an interaction between sectoral units of a central planning office and programming units within each Ministry and individual department.<sup>3/</sup> Functionally speaking, it is advantageous for the actual programming to be as near as possible to the operative level of the sector. The programming units of ministries should be supported by sub-sectoral units for the programming of branches of sectors (micro-sectoral planning). Various bodies, called executive groups, programming groups, working groups, or similar names, have been established in Latin American countries for this purpose. They normally comprise representatives of organizations operating directly within the sector, institutions for research, financing and promotion, and other bodies concerned with the execution of the sector's policies. They are oriented towards the implementation of given programmes, and their relation with programming bodies at the ministerial level have proved particularly valuable for project preparation. If a project is to be well designed, a direct knowledge of the conditions under which it is to be carried out

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<sup>3/</sup> United Nations, Economic Survey of Latin America, 1964, p.329 ff.

- to be obtained only by actual experience of operations in the field - is essential. The Symposium on Industrial Development in Latin America, held at Santiago, Chile, in 1966 concluded: "With respect to the liaison that should be maintained between the agencies formulating industrial programmes, those promoting or executing them and those handling the various instruments of industrial policy, there was a consensus of opinion on the need to seek appropriate machinery whereby such agencies could be efficiently co-ordinated, with a view to removing the stumbling-blocks currently existing in the industrial field".<sup>4/</sup>

The efficient administration of sectoral plans depends very much on the existence of planning institutions but there is no organizational model for such institutions that can be proved to be superior to all the others. The model that ECLA suggests - a central planning office within or closely related to the office of the President, sectoral programming units within ministries, and decentralized units for regional planning - has been preferred by several countries in the region. Almost all the countries of the region have a central planning office, and sectoral and regional offices are being established. This scheme seems to work well for programming and project preparation. Problems arise mainly when planning is linked with the short-term operative machinery, in which case, the functional ties between planners and executives are often too weak. "Isolated as they usually are from the traditional channels of administration and decision-making, the planning offices have often been saddled with the responsibility of preparing a development plan with a minimum of guidance from the political authorities or none at all. In the circumstances, the plan which has been drawn up has not been discussed in sufficient detail by the various government policy-making and executory organs, and therefore creates resistance in the Ministries and decentralized agencies."<sup>5/</sup>

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4/ United Nations, Industrial Development, Latin America. Report of the Symposium, 1966, (E/CN.12/755/Rev.1), p.12.

5/ ECLA, Experience and Problems in the Implementation of Development Plans. Planning in Latin America. op.cit., p.22.

This lack of co-ordination and of detailed discussion seems to be the parting of the ways between programming and operative institutions. This is no less true of sectoral planning than of over-all development planning. "By 1965, medium and long-term industrial plans of a general character had been drawn up, within the framework of an over-all model, in most of the Latin American countries. Except in Cuba's case, the plans in question conformed to the basic principles of the Charter of Punta del Este and to the technique of analysis and projections disseminated by ECLA. Hardly any of them laid down measures of economic and social policy in sufficient detail. The specific projects included in investment plans were few and far between, and only in a limited number of instances had any significant regional planning been attempted, nor were the possibilities opened up by the economic integration of Latin America taken into account."<sup>6/</sup>

The final aim of planning is to establish more coherent methods in order to arrive at better decisions. This implies, in the first place, ways of improving government action including the kind of co-ordination between programming and operative institutions mentioned above and, in the second place, the "decentralization of decision-making beyond the formal government apparatus".<sup>7/</sup> Decentralization is indispensable particularly in the agricultural and industrial sectors of mixed economies because of the large numbers of independent entrepreneurs. It is usually achieved through the operation of certain tax marketing and price systems. With the introduction of price and market mechanisms in some centrally planned economies, similar means of decentralization are being developed there.

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<sup>6/</sup> United Nations, Industrial Development, Latin America, op.cit., p.11.

<sup>7/</sup> Bertram M. Gross, The Administration of Economic Development Planning: Principles and Fallacies, (ST/TAO/M/32), p.36. See also Charles E. Lindblom, "Economics and the Administration of National Planning", Public Administration Review, December 1965.

## II. ADMINISTRATION OF INDUSTRIAL DEVELOPMENT PLANNING

The active participation of Latin American Governments in the process of industrial development is a recent phenomenon. Until lately the role of Governments was more one of fiscal control and the mere gathering of statistical information than of active promotion and guidance of industrial development. Now, several reasons are given for the closer involvement of Governments in industrial development, not only as promoters but also as direct producers:

1. Strategic reasons. The industries which are essential to national defence are often government-operated. The need of secrecy regarding this kind of production is one of the strategic reasons.
2. Financial reasons. Industries of great economic importance to the nation may require long-term investments which private interests are not willing to make.
3. Operative-economic reasons. For permanent works undertaken by the Governments such as road construction, it may prove more rational to establish public enterprises than to rely exclusively on private contractors.
4. Reasons of employment policy. In cases of structural unemployment the Government may temporarily run some industries while movement of labour, retraining, and other means are used to solve the long-term employment problems.
5. As a means of securing open competition the Government may start public enterprises to supply certain products in competition with private industry.

Many administrative deficiencies still exist in the industrial policies applied in the region. When industrial planning was first introduced into Latin America, protectionist policies were the most popular but at later stages, more importance was given to direct State promotion and, eventually, to indirect incentives.<sup>8/</sup> Many programmes of industrial development still reflect a protectionist outlook, although efforts towards the economic integration of the region are being made at the same time.

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<sup>8/</sup> See, for example, The industrialization process in Latin America, 1965. United Nations publication, Sales N°: 66.II.G.4.

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

Other forms of private sector participation were mentioned at the Industrial Development Symposium: "...attention was drawn to Mexico's export and import boards in which the private sector played an important part. In Colombia private enterprise participated in industrial planning through the Private Sector Development Committee (Comité Privado de Desarrollo). But it was pointed out that in many countries private enterprise was still relatively weak, a circumstance which, in many cases, had induced the public sector to assume a more energetic role in the planning process".<sup>9/</sup>

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

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<sup>9/</sup> United Nations, Industrial Development, Latin America, op.cit., p.12.

Organizational structure of an industrial planning system <sup>10/</sup>

It is obviously impossible to present a complete scheme of government institutions for industrial development planning that would suit all the countries of the region regardless of the political and economic structure and the size of the country, nor is it possible to describe functionally all the activities to be performed by Governments in the process. Nevertheless, there are enough common denominators in terms of administrative principles for it to be possible to discuss some way of organizing sectoral planning within a ministry of industry and trade. (See figure 1. The reader should note that the chart is somewhat too detailed for countries where the Government is just beginning to engage in industrial development. In countries where no ministry of industry and trade exists, many of the corresponding functions can be performed by the ministry responsible for the general promotion of economic growth.)

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

There are certain prerequisites for the fulfilment of this function.

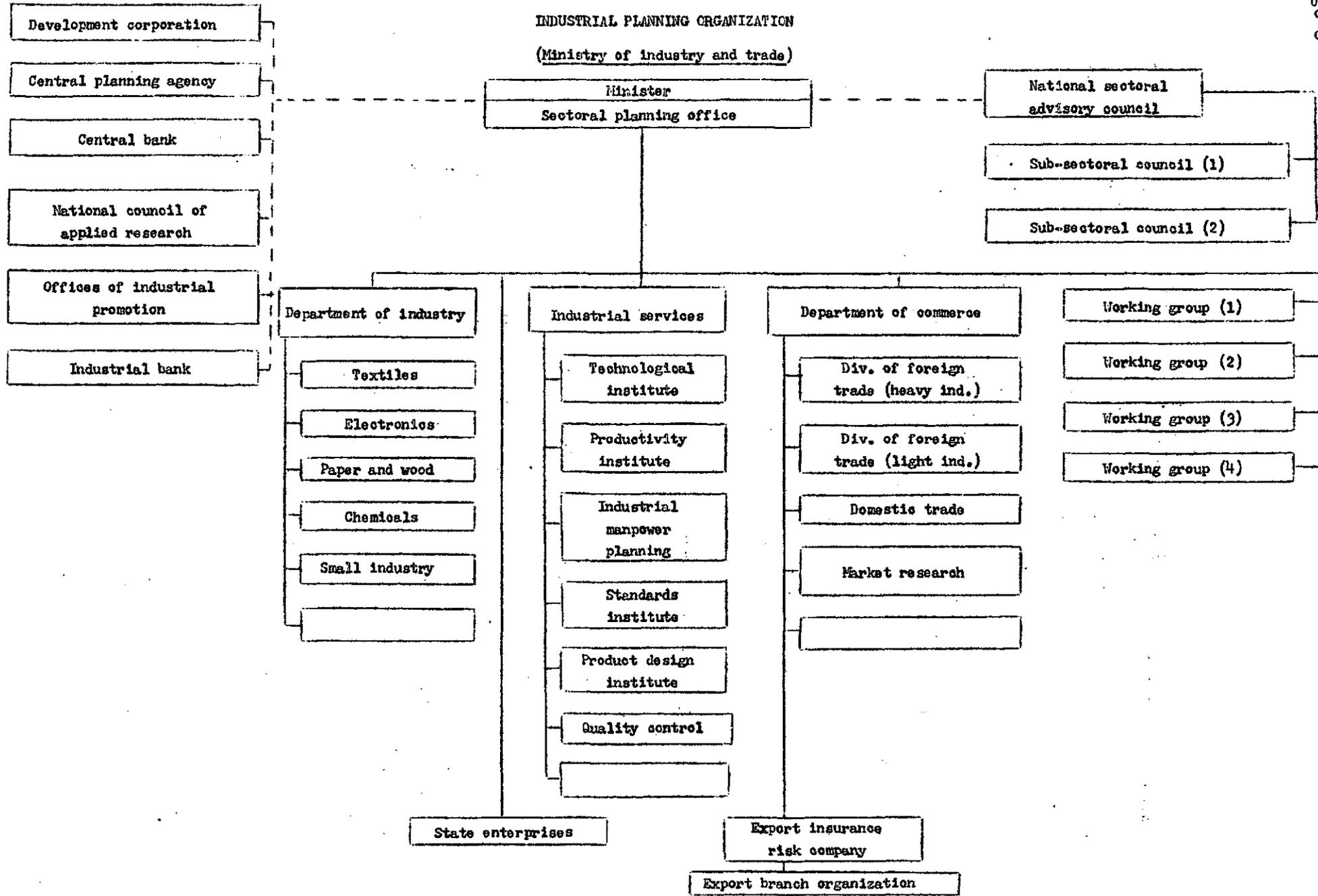
(1) The leadership must be effective. This is to be achieved mainly by an appropriate combination of two complementary conditions: (a) The responsibility of the ministry for the direction of the planning process must be clear and unequivocal. This means, on the one hand, that the focus of sectoral programming should be in the ministry and not outside it (e.g. in a central planning agency or development corporation) and, on the other hand, that the public advisory bodies should not confuse their consulting

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<sup>10/</sup> Figure 1 and the functions discussed constitute a basic model for the advisory work in this field by the Public Administration Unit of ECLA. In 1965, Shimon Danieli, then Regional Adviser in Public Administration attached to ECLA, presented a draft paper on this subject entitled "Organization for sectoral planning" (ECLA, Public Administration Unit, July 1965).

Figure 1

INDUSTRIAL PLANNING ORGANIZATION  
(Ministry of Industry and trade)



/function with

function with executive responsibilities. The minister would receive directives from some higher body, such as a committee of ministers for planning, but advice only from bodies constituted to give such advice, the most important of which has been called here the national sectoral advisory council. However, it is of great importance that the advisory bodies should be asked to deal with concrete problems and that their councils should have an influence on the formulation of policy. In figure 1 the national sectoral advisory council is shown as being administratively superior to the sub-sectoral advisory councils. Whether there are such sub-sectoral councils depends, of course, on the actual needs and resources of the country. (b) The minister must be able to obtain public support for the formulation and implementation of the plan. Public support and co-operation may take many forms: advisory bodies acting at the general level or in specific fields (e.g., branches of industry, co-ordination of specific policies, such as wages), or joint working groups for purposes of investigating investment opportunities or other programmes.

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

- (a) to compile comprehensive data on the entire industry and to assist the policy-maker in drawing up a comprehensive industrial policy;
- (b) to prepare, in collaboration with the respective branch offices of the department of industry, thorough surveys of the different branches of industry in order to determine the optimal over-all size of each branch, and its organization, structure and planning;
- (c) to draw up specific projects for the establishment of new and the expansion of existing undertakings on the basis of the branch surveys.

/It will

It will be noted that the preparation of long-range plans or long-range projections is not included in the functions of the sectoral planning office. The emphasis should be more on positive planning. Whether the plan should be long-range or whether priority should be given to short-range and medium-range plans depends on what strategy is adopted to fulfil the basic task of the planning office.

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

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

Although over-all policies would be formulated and programming work would be co-ordinated primarily in the sectoral planning office, it is inevitable that many policies, programmes and projects should be initiated in units dealing with specific fields, services, and activities and maintaining close contact with operating organizations. The units are basically of two

kinds: promotion institutions and State enterprises. They are established by the Government to fill important gaps in the economy; hence the requirement that their activities should be consistent with other government policies. This might be self-evident and require no emphasizing but for the fact that the integration of such activities with the sectoral planning system raises a number of thorny political, economic and administrative problems. An organized effort is needed to solve the integration problem.

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

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

One broad category of industrial services is applied research. The "staff function" in this field is two-fold:

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

(2) to set up the organization and the scientific machinery for applied research.

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

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

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

The productivity institutes also are in the category of industrial services. They are essentially industrial management institutes. Like industrial research institutes, they study the process of production with

a view to improving it, but the techniques they use are mainly management techniques. They engage also in feasibility studies and training activities. The chief and basic purpose of such institutes is always to increase the productivity of the industry.

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

Manpower planning for industry has long been recognized as an indispensable part of industrial programming. In any design of over-all planning, manpower planning would probably have to be located in a ministry whose activities were not limited to a single sector of production. The most natural choice would be the ministry dealing with labour problems. Nonetheless, there are an enormous number of current and long-range problems of which the ministry responsible for industrial programming would have the best first-hand knowledge. This would require the institutionalization of co-operation patterns with the ministry of labour and the central planning agency in the field of manpower and probably, in addition, the delegation of some selected responsibilities to the ministry of industry and trade.

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

/Normally the

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

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

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

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

/ministerial unit

ministerial unit would consist in the application of the law in industrial promotion, the chief purpose of which is to encourage investment in various ways, principally through exemption from certain taxes and duties.

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

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

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

6. Lastly, the working groups in figure 1 would implement specific programmes and projects. As already mentioned, they would be composed of representatives of institutions for research, financing and promotion, branch organizations, and others involved in the execution of the sector's policies. Consequently, they would not be regular administrative units of the ministry. It is suggested, however, that the chairman of each group, together with his secretariat, should be employed as officials of the ministry, which would make the groups responsible to the minister of industry and trade for their operations.

## III. ADMINISTRATION OF AGRICULTURAL DEVELOPMENT PLANNING

For the purposes of the following discussion, the concept of the agricultural sector should be understood as follows:

1. The entirety of private economic activity in agriculture, cattle-raising, forestry and fishery and all requisites for this activity; and
2. Government activities to exert public influence in the above fields.

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

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

1. In the formulation of government policies in agriculture certain objectives are established which express - generally in non-quantitative terms - the Government's goals in agricultural development. The objectives are then related to facts and figures showing the actual state of the sector's economy and its growth potential over given lengths of time, and quantified targets are then established, indicating the desired and possible rate of growth for all branches of the sector.
2. The next step is to define means of action for reaching these targets. The means are given positive formulation in what are called vertical and horizontal programmes. Vertical programmes are those composed of all the planned activities concerned with a simple item, such as one crop, cattle, etc. A vertical programme includes various means of action, such as technical assistance, research, credits, and others. A horizontal programme is the planned total of a single means of action, for instance all the projects of extension service.

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

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

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

Though conditions for agriculture and also for agricultural planning vary considerably from one Latin American country to another, certain features of the objectives, the planning functions and the government services are somewhat similar. "The agricultural objectives of the development plans are generally derived from such over-all objectives as increasing the national income, reducing inequalities in income distribution, improving the balance of payments, or increasing employment opportunities. While there are naturally differences in emphasis from country to country, the agricultural objectives are strikingly similar, at least among the developing countries on the one hand and the developed countries on the other."<sup>12/</sup> In most plans the main objective is to increase production as rapidly as possible. Increasing the production of exports is another commonly specified objective, as are savings of foreign exchange through the replacement of imports by domestic production, structural changes such as land reform, and employment objectives. As to fishery, most countries plan to expand the exploitation of their fishing grounds by improving traditional

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<sup>11/</sup> For details see, United Nations, Public Administration Division, Control of Operative Plans, Programmes and Projects, (ST/ECLA/Conf.30/L.4).

<sup>12/</sup> FAO, The State of Food and Agriculture 1965, p.115 f.

methods, while Peru, and to some extent Chile, are carrying out plans for modern industrial fisheries. Forestry development plans have still not reached the stage of implementation, although the forest products industries have progressed considerably.

#### Functions of government administration in agriculture

According to the concept of agricultural planning used in this paper, the Government lays down the guidelines for all activities within the sector of agriculture over the period of the plan. Planning is therefore understood as a comprehensive activity which regulates all traditional government functions in this field, such as research and experimentation, education, extension work, the extension of credits, the enforcement of regulations, and the provision of direct services to producers. Figure 2 illustrates the basic structure of the agricultural sector when this concept is applied. It shows that the minister of agriculture has, in his capacity as political head of the sector, the full responsibility and also the highest authority for sectoral policies. He exercises this authority through the agricultural plan.

Under the minister, figure 2 shows the kinds of institutions which share the administrative responsibility for carrying out sectoral policies. The ministry of agriculture, directed by the minister in his capacity as its administrative head, is one part of this organizational set-up.

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

Once the targets of a plan have been approved, the State generally uses two different types of action to achieve them, direct and indirect means. The first category comprises a wide range of activities, such as direct government farming and marketing of finished products, production and distribution of inputs (seeds, fertilizers), etc. Another form of direct government action is that designed to meet the infra-structural needs of the agricultural sector, e.g., the construction of irrigation and drainage works, roads, silos and other storage facilities. (Social services, such as housing, education, and recreation, are sometimes considered direct means of action within the sectoral framework in so far as they are required for the implementation of sectoral plans.) Furthermore, the State takes direct action

Figure 2

AGRICULTURAL SECTOR

Minister of Agriculture  
(political capacity)

Agricultural plan

(Formulation, implementation, control, evaluation)

Institutions for the administration of the sector

Ministry of agriculture  
(headed by the Minister  
in his administrative  
capacity)

Autonomous public  
bodies within the  
sector

Autonomous,  
inter-sectoral  
public bodies

Other Ministries  
acting within the  
sector

Examples of activities

- Regulatory work
- Training and extension
- Research
- Marketing and sales
- Other

- Education  
(agricultural  
colleges)
- Supply of seeds,  
fertilizers, etc.  
(corporations for  
supply)
- Credits  
(agricultural banks)
- Land settlement
- Other

- Education  
(national  
universities)
- Regional development  
(special corporations)
- Credits  
(inter-sectoral banks,  
regional banks)
- Other

- Development of  
irrigation  
(In full of public  
works)
- Infrastructure  
(In full of public  
works)
- Exports  
(In full of trade,  
industry, economy,  
etc.)
- Education  
(In full of  
education)
- Other

/In the

in the fields of research, the conservation of natural resources, inspection and sanitary measures, technical assistance and extension services, the classification and standardization of products, and many others.

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

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

Often one single administrative unit of the ministry must be responsible for two or more functions because of shortage of staff or other reasons. In this case, as has been pointed out,<sup>14/</sup> it is very important that these functions should be compatible. "Thus, for instance, it is highly desirable that close liaison should exist between research and extension work ... Similarly, there is no apparent conflict of functions in associating the regulatory duties of a field officer (such as inoculations, dipping, erosion control or crop protection) with responsibility for providing certain direct services, such as improved livestock and seed, fertilizers or machinery."<sup>15/</sup>

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<sup>13/</sup> See for example, Discusiones sobre Planificación, op.cit., p.57 ff.

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

<sup>15/</sup> Ibid. p. 78-79.

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

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

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

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

The policies for agricultural development carried out by the Ministry and those of the agricultural banks and other credit institutions must be coherent. Credits may be granted for projects that are not part of the sectoral plan or are even contrary to the plan because the criteria for judging credit worthiness are not the same as those which govern the

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selection of projects for the plan. "The Agricultural Bank should establish the basis on which requests for credit will be granted in collaboration with the Ministry of Agriculture, and then extension workers can approach rural producers and offer to help them to meet the Bank's requirements."<sup>16/</sup>

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

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

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

In the case of autonomous agencies having their own budgets, the ministry should make sure that they do not perform any of the regular duties performed by the ministry, thereby duplicating certain functions

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<sup>16/</sup> Ibid., p.81.

of the sector and weakening the supervision of the ministry. The work of autonomous agencies should be restricted to inter-ministry activities or temporary tasks that exceed the capacity of the corresponding unit of the ministry.

#### Institutional patterns for agricultural planning

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

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

All countries introducing planning have to judge which functions to centralize and which to decentralize, since national planning is itself a system of centralized decision-making. Although this may seem contradictory, there may often be a high degree of centralization and of decentralization in the same organizational structure. In fact, the two should be regarded as complementary. Bertram Gross uses the metaphor of the "arteries of decentralization" and the "veins of centralization"<sup>17/</sup> and states as a principle of development administration and planned economic development: "The power to achieve significant progress can be obtained only through some combination of centralization and decentralization".<sup>18/</sup>

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<sup>17/</sup> Bertram M. Gross, The Administration of Economic Development Planning: Principles and Fallacies, op. cit. p.50 (quoted from Gross, The Managing of Organizations, 1964, p.385).

<sup>18/</sup> Ibid., p.50.

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

The Venezuelan Ministry of Agriculture started an administrative reorganization in 1966 based on a study of the procedures used by units of the Ministry in the execution of certain programmes. The reorganization was aimed at adapting the Ministry to the requirements arising out of the sectoral plans as presented by the national planning agency (CORDIPLAN). From the study it was seen that executory units at regional and local levels ought to be strengthened and that policy-functions should be emphasized at the central level. For this purpose, what are called Dependencias (government departments) in the interior of the country were given increased authority. At the same time executive functions were taken away from the Ministry in Caracas, which became a programming and supervisory unit. It was possible to transfer more than two hundred officials from the Ministry's headquarters to decentralized and specialized bodies.<sup>19/</sup>

The studies of procedures also indicated the need for the Ministry to undertake certain new activities. Six new specialized units were created as parts of the ministerial organization (see figure 3).

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

The Office for Agricultural Development of Irrigation Systems was created with the objective of co-ordinating all work within the Ministry concerning irrigation and to improve co-ordination with the Ministry of Public Works and with CORDIPLAN as regards the programming of the expansion of irrigation works. In his report to the Congress <sup>20/</sup> the Minister points out cases of defective planning, which has resulted in the construction of irrigation works in areas which, even with a satisfactory water supply are not suitable for the kind of crops that are most needed.

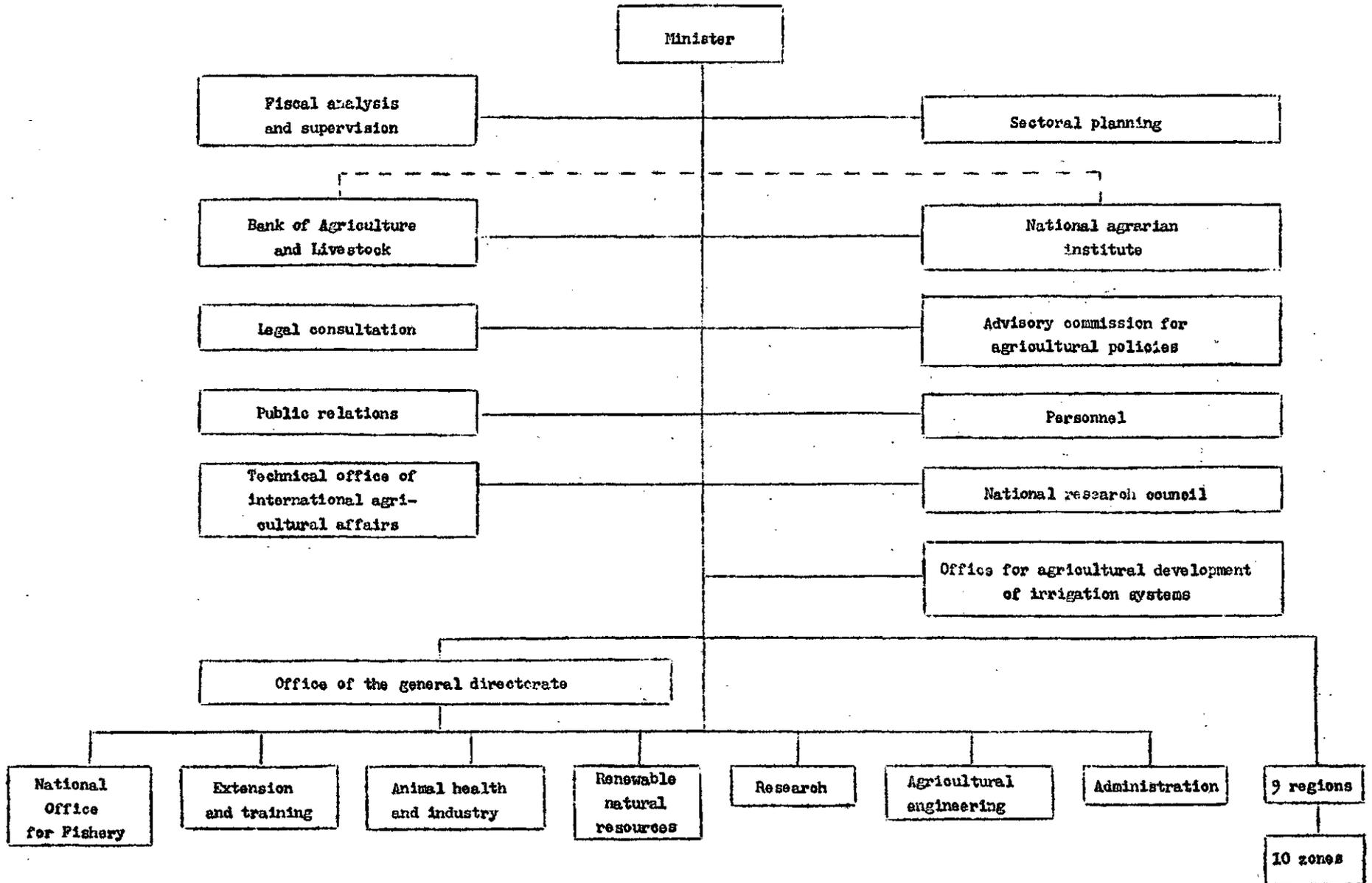
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<sup>19/</sup> Memoria y cuenta 1966, presented by the Minister of Agriculture to the National Congress 1967, p.11.

<sup>20/</sup> Ibid., p.11.

Figure 3

ORGANIZATION OF THE VENEZUELAN MINISTRY OF AGRICULTURE



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Before the creation of the Office for Agricultural Development of Irrigation Systems, no specialized unit of the Ministry participated in the planning of irrigation works.

The Inter-departmental Committee for Agricultural Policy serves as a secretariat for a high-level committee composed of the Minister of Agriculture, the Chairman of the National Agrarian Institute and the General Director of the Bank of Agriculture and Livestock.

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

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

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

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

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

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<sup>21/</sup> Ibid., p.31.

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

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

In Chile the administrative restructuring of the sector is part of agricultural planning. It is included in the plans and programmes that are drawn up by the Office of Agricultural Planning (ODEPA). The administrative reform stemmed from the need for agrarian reform and it is directed towards this purpose. The agrarian reform law is the legal basis for most of the organizational changes that the agricultural sector has recently undergone. As the law was passed only in July 1967, the experience of the reforms is too recent for detailed study. However, some features of the new administrative structure of the sector may be presented as examples of problems that have to be taken into account in agricultural development planning.

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22/ Ibid., pp.13, 14, 34-40, 137-144.

1. The diagnostic studies <sup>23/</sup> preceding the new law indicated a need to co-ordinate sectoral finances. The Ministry of Agriculture had no influence over investment in irrigation works, silos and other storage facilities, food-processing industries, and many other installations affecting agricultural planning.

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

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

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

3. A third organizational change which was considered necessary was the co-ordination at the local levels of the work of all the institutions that participate in the execution of agricultural policies. The country is now being divided into uniform zones for this purpose. Not all

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<sup>23/</sup> Presented by Mr. Sergio Figueroa, chief of the Grupo Institucional of the Office of Agricultural Planning, in a memorandum to the Minister of Agriculture, 13 October 1966.

sectoral bodies are represented in all the zones, but the zonal limits apply to all those which are represented. Committees composed of the zonal heads of all the agricultural institutions will be formed for co-ordinating purposes.

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

In Colombia, for instance, where diagnoses for new plans are now being made, the sector has a decentralized institutional set-up.<sup>24/</sup> At the ministerial level the decentralization takes the form of a horizontal dispersal of the planning-programming function among various offices. Thus, plan formulation is the task of the National Planning Council, the Administrative Department of Planning and of the Offices of Planning, Co-ordination and Evaluation of the Ministries of Agriculture and Development.

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

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<sup>24/</sup> A comprehensive description is given in Armando Samper Gnecco, Memoria del Ministro de Agricultura al Congreso Nacional 1966-1967.

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

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

### Conclusions

The reason for decentralizing the agricultural sector as in Colombia and many other countries is no doubt a wish to avoid lengthy communications and other complicated procedures in making decisions and by specialization to arrive at better decisions. It is evident, however, that this kind of institutional structure is an obstacle to the planning process outlined in this paper. As has already been said, there is no panacea which will provide ideal administrative frameworks for all the problems of agricultural planning. This makes it all the more necessary for administrative revisions to be integrated parts of the planning process.<sup>25/</sup> The most urgent task in this context seems to be the achievement of an improved economic evaluation of agricultural policies. Until the economic outcome of the activities of the Ministry of Agriculture is ascertained with sufficient accuracy there can be no reliable analysis of the administrative aspects of these activities.

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<sup>25/</sup> For a detailed discussion see ECLA "Administrative Planning for Economic and Social Development in Latin America" (ST/ECLA/Conf.30/L.5).