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VOLUME II

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** The views expressed in this work are the sole responsibility of the authors and do not necessarily coincide with those of the Organization.

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PROLOGUE

Efforts to enhance macroeconomic efficiency must be complemented by the appropriate preparation and selection of public investment projects. Experience has shown that in a context of greater overall efficiency, the profitability and impact of projects is significantly increased.

Likewise, better-prepared projects take on greater importance in a more competitive, open and decentralized environment. All of these factors are closely related to the efficiency of public spending and the way in which resources are allocated to meet priority needs. In other words, the challenges of macroeconomic adjustment require, at the microeconomic level, high-yield project portfolios and consequently different ways of making public investment plans and budgetary allocations.

In light of the foregoing considerations, ILPES, in cooperation with the World Bank's Economic Development Institute (EDI) and ECLAC, has promoted a number of regional meetings in recent years for the exchange of experiences and ideas on the subject of investment programming and project cycle.

This two-volume publication contains all of the material covered in the seminar on **"Project Data Bank and Public Sector Investment Programming"**, held in Kingston, Jamaica, from 20 to 22 november 1991.

Our aim is to help not only to publicize the advances made in individual countries, but also to intensify the search for new methods and systems for increasing the yield of public investment.

Edgar Ortégón
Director
Project and Advisory Assistance Programme

BARBADOS

AN OVERVIEW OF PUBLIC SECTOR INVESTMENT PROGRAMMING AND
PROJECT CYCLE MANAGEMENT

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The views, interpretations and conclusions expressed in this
paper are entirely those of the author and should not be attributed
in any way to the Government of Barbados.

INTRODUCTION

This paper presents an overview of the process of Public Sector Investment Programming (PSIP) and Project Cycle Management (PCM) in Barbados. In so doing, the paper will first present a brief history of Barbados' planning experience as particularly pertinent to its institutional development and then seek to diagnose the PSIP and PCM in Barbados. The paper then explains how the process currently works and seeks to highlight the current constraints and problems. The paper finally proposes a number of solutions which could help in improving the efficiency and overall effectiveness of PSIP and PCM in Barbados.

THE PLANNING EXPERIENCE

Development planning in Barbados had its genesis in the year 1946 with the publication of the first Development Plan (1946-1956). During the period 1946-1991 this planning experience had been characterized by the following major institutional developments:

- (i) The establishment of a Central Planning Committee in 1960 to coordinate economic activity in Barbados;
- (ii) The establishment in 1963 of an Economic Planning Unit in the Premier's Office;
- (iii) The creation of the Ministry of Finance and Planning in 1973 following the amalgamation of the Ministry of Finance and the Economic Planning Unit;
- (iv) The establishment of a Public Investment Unit (PIU) in 1978 within the Ministry of Finance and Planning to serve as the secretariat of the then designated Planning and Priorities Committee; and
- (v) The subsequent and gradual creation of planning units in several sponsoring/line ministries.

THE PSIP

Public Sector Investment Programming (PSIP) in Barbados is the process by which the Government undertakes capital spending on those economic and social activities "which cannot be left to the private sector and/or which the private sector cannot carry out", e.g., those programmes and projects which carry a very high investment risk or are very lumpy both in terms of size and cost or do not generate/realize immediate benefits.

Barbados is a mixed economy where the private sector is seen as the main engine of economic growth and the PSIP as a generator of economic activity. As such, the PSIP is one of the Government's main policy instruments which it uses to provide the stimulus and infrastructure required for private sector activity and social development. The other main instruments are its fiscal and monetary policies. The Government's PSIP is comprised primarily of direct investments in the productive sectors, e.g., via the Government's creation of statutory bodies and the construction of two (2) hotels, as well as investments in economic and social infrastructure, e.g., the construction of air and sea ports, roads, schools and hospitals. These investments have a direct and immediate effect/impact on economic activity and provide the basis for future growth in the economy. The PSIP is therefore, by extension, one of the Government's main policy instruments which it uses to implement its 5-Year Development Plan.

THE PCM

Project Cycle Management (PCM) is the process by which the Government executes the programmes and projects set out in its 5-Year Development Plan. The main activities or steps which characterizes this process are:

- (i) The identification stage;
- (ii) The preparation or prefeasibility study stage;
- (iii) The evaluation or feasibility study stage;
- (iv) The financial stage;
- (v) The implementation stage; and
- (vi) The post-completion assessment stage.

The Government's Central Planning Committee, which is a standing committee of the Cabinet, has overall responsibility for Project Cycle Management and by extension for monitoring the implementation of the Government's PSIP. The Government's Central Planning Committee is assisted in carrying out its responsibilities by the Public Investment Unit of the Ministry of Finance and Economic Affairs which functions as its secretariat.

PRESENT FUNCTIONING OF THE PSIP AND PCM

Public Sector Investment Programming (PSIP) and Project Cycle Management (PCM) in Barbados have their genesis in the preparation and approval by the Cabinet of the Government's 5-Year Development Plan. The Cabinet is the executive arm of the Government. The Development Plan is then laid in Parliament but does not have the force of law. The Plan sets out in a concise manner the Government's development objectives, strategies, programmes and projects for the specific 5-Year period identified. It is essentially a condensed version of the more detailed sector plans which are prepared by each sponsoring/line ministry within the public sector and, most importantly, an indication of the Government's intentions as per its political mandate.

The Government's Central Planning Committee (CPC) which is a standing Committee of the Cabinet, has overall responsibilities for PCM and for coordinating the implementation of the Government's PSIP. The CPC's main objective is to "ensure on behalf of the Cabinet the rational development of the Government's policies, programmes and plans, and to coordinate their implementation".

The CPC's functions are to:

- (i) Recommend to Cabinet, immediate and long-range national and sectoral planning priorities;
- (ii) Direct the development of intermediate and long-range development plans;
- (iii) Review and recommend to the Cabinet, approval of each stage of the development project process;
- (iv) Advise Cabinet on progress towards achievement of national/sectoral goals and objectives; and
- (v) Review and advise Cabinet on revenue and expenditure estimates associated with the implementation of long-term plans.

The membership of the CPC includes all Ministers, Parliamentary Secretaries, their Permanent Secretaries and chief professional officers. The recommendations of the CPC are subject to the Cabinet's approval. Projects that fall within the scope of the Committee are those which would involve expenditure of BDS\$100,000 or over and all projects funded by external financial institutions and agencies.

The Public Investment Unit (PIU), which is a division within the Ministry of Finance and Economic Affairs, functions as the secretariat of the CPC. Its purpose is to facilitate the attainment of national and sectoral socioeconomic goals and objectives. Its main functions are to:

- (i) Enhance and expedite the planning and execution of development projects;
- (ii) Operate as a prime link with external financing agencies for loans and technical assistance; and
- (iii) Encourage a high quality of project analysis and evaluation.

More specifically, the PIU's major functions are, inter alia to:

- (i) Provide an overview of the financial implications of the development programme;
- (ii) Undertake financial, economic and technical evaluations of capital projects;
- (iii) Assist Ministries/Departments in project identification and formulation;
- (iv) Coordinate and negotiate agreements with external financing agencies and ensure compliance with terms and conditions; and
- (v) Support, complement and coordinate development project activities carried out by Ministries and other Government agencies.

The process of identifying and sponsoring a project takes place at the Ministry level. However, should a project be identified by another agency and prepared with the help of the PIU, it must be sponsored by the relevant Ministry. The PIU does not function as an executing agency per se except in those cases where it undertakes responsibility for carrying out technical assistance

and studies related to project identification or project preparation. This is however done with the full knowledge and cooperation of the relevant sponsoring Ministry.

The sponsoring Ministry has ultimate responsibility for nurturing projects from identification to implementation. In this regard, the sponsoring Ministry may be assisted by the PIU or by external consultants. It may also be aided via the establishment of a broad-based Project Steering Committee which acts in an advisory capacity and the appointment of local counterpart staff either on a part or full time basis to work alongside the consultants/contractors.

Sponsoring Ministries are required to obtain the approval of the CPC for all capital projects of BDS\$100,000 or over, at the identification stage and at each succeeding stage. They are also required to submit monthly reports to the PIU for consideration by the CPC.

The Government's annual budget, which is the link between short and medium-term planning is the Government's most influential tool in implementing its PSIP. During the preparation of the budget, the programmes and projects to be implemented during the fiscal year ahead are more exactly defined, more precisely costed and subjected to a more detailed examination. This annual budgetary process is also used by the Government to review and revise the process of implementation of its PSIP.

More specifically, sponsoring Ministries have to seek the approval of the Ministry of Finance and Economic Affairs so that adequate provision can be made in their annual estimates of expenditure for the implementation of their respective programmes and projects. The sponsoring Ministries are required to submit their estimates of expenditure to the Ministry of Finance and Economic Affairs no later than the end of November of every calendar year for the requisite examination and review. The estimates of expenditure of all sponsoring Ministries are then submitted by the Ministry of Finance and Economic Affairs (MFE) to an Estimates (Budget) Committee which makes recommendations to the Cabinet. This Committee is chaired by the Minister responsible for Finance. The Estimates of Revenue and Expenditure are then forwarded to Parliament where they have to be approved before the commencement of the new fiscal year on April 1.

The Government's annual budgetary process is completed when Parliament has approved the Government's Financial Statement and Budgetary proposals which are presented by the Minister responsible for Finance very early in the new fiscal year. The Financial

Statement and Budgetary Proposals provides the basis for analyzing the Government's fiscal strategy against the background of the country's economic performance and for outlining measures to achieve particular sectoral and macroeconomic objectives. They also lay the basis for the implementation of, inter alia, the Government's PSIP during the fiscal year ahead.

After the annual budgetary process has been completed, sponsoring Ministries are required to make quarterly submissions to the MFE for the allocation of funds to facilitate the implementation of their respective programmes and projects. Disbursements are made to these Ministries by the MFE on a monthly basis.

The Government's PSIP is primarily financed by loan financing via a combination of both internal and external sources.

CONSTRAINTS AND PROBLEMS IN THE PREPARATION AND IMPLEMENTATION OF THE PSIP AND PCM

The institutional framework which the Government has put in place to facilitate the overall management of its programmes and projects is considered to be quite adequate. However, it is generally perceived that there is a need for a review and possible revision of the mechanisms at the operational level which would make the system more effective and responsive to the Government's need for the timely provision of information to facilitate the efficient and effective execution of its PSIP.

The major constraints and problems faced by the Government in the implementation of its PSIP and PCM are outlined below:^{1/}

- (i) The absence of an adequate number of review meetings at the level of the CPC and between the PIU and the sponsoring Ministries;
- (ii) The length of time it takes to initiate and complete project preparation activities after a project has been identified;
- (iii) The inadequate amount and frequent turn-over of staff within both the PIU and the planning units of sponsoring Ministries;
- (iv) Infrequent communication both at the formal and informal levels between the PIU and sponsoring Ministries concerning the preparation and implementation of projects;
- (v) The absence of a computerized data base system to provide for effective project cycle management;
- (vi) The absence of a mechanism via which the PIU can have a direct say in the processing and approval of the quarterly submissions which are made to the MFE by sponsoring Ministries for funds to be expended on capital projects;

^{1/} Not listed in any order of priority.

- (vii) Infrequent and in some cases inadequate reporting by sponsoring Ministries on projects;
- (viii) A lack of information on projects which are below BDS\$100,000 in cost;
- (ix) The PIU's inability to maintain an on-going functions capability with respect to the impact of the Government's PSIP on the growth and development of the economy;
- (x) The method of disbursement of funds from the Treasury as pertains to its dependence upon the status of the Government's cash flow; and
- (xi) The length of time it takes sponsoring Ministries to submit claims for reimbursement of funds from external funding agencies after the relevant expenditure has been incurred.

As indicated below, the constraints and problems outlined above are neither debilitating nor insoluble. Their identification here merely points to a need for the establishment of a permanent mechanism within the public sector to facilitate the conduct of periodic reviews of the institutional framework for PSIP and PCM in Barbados. These periodic reviews should preferably be effected at the time of preparation of a new Development Plan.

PROPOSED SOLUTIONS

The Government of Barbados recognizes the need for the requisite organizational and administrative reform within the public sector to ensure that each Ministry (including the MFE) has the capacity and the capability to make an effective contribution at each stage of the planning process.

To this end, the Government has recently sought and obtained the assistance of the Inter-American Development Bank (IDB) in preparing an institutional strengthening project for the MFE. This project will have the following two (2) components: (a) planning and project cycle management, and (b) public expenditure management.

The objectives of these two (2) separate, albeit related, components are:

(a) Planning and Project Cycle Management

- (i) To carry out a diagnostic study of the planning mechanism, project analysis methodologies and project cycle management used by the Ministry of Finance and Economic Affairs and the line Ministries involved in the planning process, and identify deficiencies in the system; and
- (ii) To design and draft a technical cooperation project for upgrading and automating the planning and project cycle mechanism, with a view to improving the operational capabilities of the Ministries involved in the process, and enhancing the coordinating role of the Ministry of Finance and Economic Affairs thereby enabling them to formulate, implement and manage development projects efficiently.

(b) Public Expenditure Management

- (i) To perform a diagnostic study of the budgetary process, the organization of the Offices involved in the process (Offices of Budget Administration, Accountant General and Auditor General), flow of information and resources between these Offices and to identify the key budgetary problems; and
- (ii) Design and submit a draft proposal for a technical cooperation project to modernize and automate the Offices referred to above, with a view to improving their operational capability, in a rational and consistent manner within a wider macroeconomic framework.

Notwithstanding the conduct of this study and without prejudice to the consultants' eventual findings and recommendations, the following solutions are proposed for promoting the efficient and effective management by Government of its PSIP:

- (i) A Public Investment Authority (PIA) be established to take specific and direct responsibility for project cycle management and for the implementation of the Government's PSIP;

- (ii) The strengthening of the ongoing and post completion monitoring and evaluation capabilities of sponsoring ministries;
- (iii) The submission of quarterly reports by sponsoring Ministries to the PIA be made mandatory;
- (iv) The convening of quarterly meetings between the PIA and sponsoring Ministries be made mandatory;
- (v) A computerized database of all projects (irrespective of their cost) be compiled;
- (vi) The establishment of a permanent capability within the PIA to coordinate the conduct of on-going training programmes in project cycle management for staff within the public sector;
- (vii) The establishment of a permanent mechanism to facilitate more frequent communication between the PIA and sponsoring Ministries (not only when or after a problem has occurred);
- (viii) The creation of a permanent forecasting capability within the PIA to measure the impact of the Government's PSIP on the growth and development of the economy;
- (ix) A permanent mechanism be put in place to facilitate the rotation of staff between the PIA and the various sponsoring Ministries; and
- (x) The method of obtaining reimbursement by Government from international financial institutions/agencies for funds expended on externally funded projects be changed in its entirety so as to permit direct payments by the relevant international institutions to the consultants, etc.

The proposed solutions outlined above should not be perceived as being the only solution to or as a panacea to the constraints and problems identified hitherto. Rather, they should be seen as an attempt to contribute to the on-going dialogue about PSIP and PCM in Barbados. The conduct of such a dialogue is critical if meaningful and practical solutions are to be found to the constraints and problems faced by the Government in its PSIP and PCM.

CONCLUSION

The fact that the Government of Barbados has recognized the need for changes to be made to the current modus operandi as pertains to its PCM and PSIP and has initiated action in this direction is in itself a positive and desirable development. For project cycle management and public sector investment programming are in themselves dynamic processes. What will most definitely be required within the short-term is the will to devise and implement an appropriate institutional framework for PCM and PSIP in Barbados which will respond to the demands of a changing society for efficiency in Government during the decade of the 1990s.

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BELIZE

PROJECTS DATA BANK AND PUBLIC SECTOR INVESTMENT PROGRAMMING

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CURRENCY EQUIVALENT

Dollars throughout refer to Belize dollars (\$) unless otherwise specified.

BZ\$1.00 = US\$0.50

US\$1.00 = BZ\$2.00

ABBREVIATIONS

BZ	=	BELIZE
CAP	=	CAPITAL
CBB	=	CENTRAL BANK OF BELIZE
EA	=	EXECUTING AGENCY
GDP	=	GROSS DOMESTIC PRODUCT
GOB	=	GOVERNMENT OF BELIZE
MED	=	MINISTRY OF ECONOMIC DEVELOPMENT
mn	=	MILLION
MOF	=	MINISTRY OF FINANCE
MOW	=	MINISTRY OF WORKS
NEMOC	=	NATIONAL ECONOMIC MOBILIZATION COUNCIL
PS	=	PERMANENT SECRETARY
PDB	=	PROJECT DATA BANK
PSA	=	PUBLIC SERVICE ADMINISTRATION
PSIP	=	PUBLIC SECTOR INVESTMENT PROGRAMME

SUMMARY AND CONCLUSIONS

This Discussion Paper on "Project Data Bank & Public Sector Investment Programming" in Belize attempts to define existing process, identify problems and constraints and make proposals for improvements taking into account conditions of Belize.

Belize has a land area of 22,963 square kilometers with an estimated population of 190,792 people and is thus one of the least populated country in the world. It has a small, open economy and in recent years has recorded strong growth rates in GDP. It is the right time for considering ways to make improvements for greater efficiencies and effectiveness so that Government's policy statement of "Making Belizean First" through sustainable growth, human development and social equity can be assured.

The review reveals that Belize has in place an acceptable framework for planning and development of Belize in a structured way. However, there is room for improvement in a number of areas concerning the subject matter of this Discussion Paper. The primary improvements are indicated below.

The systems in place for public investment programming can be improved by introducing formal procedures for the preparation of Public Sector Investment Programme (PSIP) and setting up an entity for project preparation/appraisal and project ranking based on standard economic and social factors. Increased interactions between Ministries, especially Ministry of Finance and Ministry of Economic Development (MED) as well as the Central Bank of Belize and the institution of an acceptable information network are deemed necessary. Such network is of primary importance for effective investment planning.

Shortage of suitably qualified and experienced staff in the Public Sector Administration (PSA) is a major constraint impinging on project activities. GOB is keen on human resource development, especially in PSA, and measures are being pursued for resolving this problem. For this exercise short-term measures have been proposed, such as job-related short-term courses, conducting in Belize training courses on project cycle with the Caribbean Development Bank's assistance, introduction of a policy restricting the movement of relevant technical staff, etc.

PSIP's level of implementation can be improved by the provision of acceptable and dedicated project management/manager for all projects, by proper preparation and supervision of all contracts, and by preparing suitable periodic management reports.

The cash flow problems can be alleviated by Government contributions for projects being provided timely, and in the amounts requested, by knowing well, and adhering diligently to, procurement and disbursement guidelines and procedures of relevant donor agencies. Proper and readily accessible records, particularly in respect of expenses and withdrawals, must be kept by the Ministries. Donor agencies can assist through the submission of quarterly statements on disbursements and balances under respective project agreements.

The Project Data Bank (PDB) for PSIP projects at MED must be provided necessary human resources with focused attention on PDB requirements and activities and essential project data must be obtained in a timely manner. Government/the Cabinet must make it obligatory that all capital projects be entered into the PDB at MED. Staff of PSIP and PDB Sections must then generate quarterly management reports on the performance of the PSIP highlighting trends, problems, bottlenecks, solutions and plan of action. These are to be distributed to the Permanent Secretaries and Ministers for their consideration and any consequential actions.

1. INTRODUCTION

Background

Belize is located on the Caribbean coast of Central America, bounded on the north and part of the west by Mexico and on the south and the remainder of the west by Guatemala. It comprises an area of approximately 22,963 square kilometers with an estimated population of 190,792 persons in May 1991 or a density of 8.3 persons per square kilometer. It is one of the least populated countries in the world. Belize has abundant and fertile land, a high literacy rate of 92% and a stable currency which is pegged to the US currency at a fixed rate of BZ\$2.00 = US\$1.00 since 1976. It is the only English speaking country in Central America.

Belize has a small, open economy which is based largely on agriculture and agro-base processing exports. Selected trends are of relevance. Over the period 1985-89, real GDP growth averaged around 10% a year and in 1990 the economy remained buoyant where real GDP increased by 12%. Investment by both public and private sectors peaked at 34% of GDP in 1989, declining to around 27% of GDP in 1990 due to completion of some large hotel projects in the private sector. Inflation has been relatively low around 4% a year. IMF and World Bank, among others, have attributed such noteworthy performance to good economic management. In conclusion, there is optimism for the continuation of a healthy overall economic performance and strong growth in real GDP over the next 2-3 years.

Diagnosis

The Government of Belize's (GOB's) Public Sector Investment Programme (PSIP) 1990-1994 aims at providing economic infrastructure and services in support of the private sector and stepping up efforts in the social sector, especially for health, education and housing.

The PSIP amounts to \$316 million (mn), consisting of some 87 development projects as at March 31, 1991. At Appendix 1 are provided annual investments for ongoing and new projects by sources and at Appendix 2 annual investments by sectors and sub-sectors. Provisional expenditure in 1990/91 was \$55 mn, representing 71% of \$71 mn budgeted. An average of \$87 mn per annum is projected over the next three (3) years. The projected increased level of investment is characteristic of development and growth in Belize and GOB's attempts in addressing economic and social needs.

GOB is concerned about a number of areas which include the level of project implementation in the past year, the apparent shrinkage and/or difficulty in accessing financing on concessionary terms, the utilization of limited resources for greatest impact on those in greatest need and the perception of slack within the system. In effect GOB is aiming at making improvements as far as possible for greater efficiencies and effectiveness.

2. PRESENT FUNCTIONING OF PSIP

Organization

The present functioning of the PSIP is better appreciated through understanding the organization and functions of the Public Service Administration (PSA). The PSA is structured as follows: (a) Cabinet which is made up of 16 Ministries is the executive body responsible for the management of Government affairs; (b) a Cabinet Secretary interacts between Government Ministries and Cabinet to advise of policies and decisions by Cabinet and, as required, to follow up and report back to Cabinet any progress on such decisions; (c) there are 16 Government Ministries with responsibility for all sectors of the economy, comprising a Minister(s), an administrative head/Permanent Secretary (PS), heads of departments/units and relevant technical and support staff. Additionally, a number of statutory bodies or corporations have been established to carry out specific activities of the economy. These include the Belize Social Security, the Reconstruction and Development Corporation, the Development Finance Corporation, the Belize Electricity Board, the Belize Airport Authority and the Port Authority and the Belize Water and Sewerage Authority.

MED

In 1987 MED was established; and since then it has evolved into its present structure comprising: (a) Planning Section; (b) PSIP Section; (c) Private Investment Concession Section; (d) Project Data Bank (PDB) Section; and (e) Administration. The staff complement is 17 persons made up of 9 technical staff inclusive of the Permanent Secretary and 8 support staff.

On the private sector side, MED is charged with the responsibility of implementing Government investment policy through granting and monitoring investment concessions to private enterprises. On the public sector side, MED's primary role is to stimulate, promote and encourage national development through, among others, the coordination of national planning, economic

policy formulation and implementation and mobilization and coordination of external technical cooperation.

PSIP Section main functions involve: coordinating and facilitating technical cooperation from external agencies with Government Ministries; assisting in project identification, preparation, appraisal and implementation to ensure, among other things, compliance with development objectives of Government, technical soundness and timely achievement of the end product; monitoring and evaluating the performance of programs and projects of the PSIP on a periodic basis with the view of determining problems and factors adversely affecting the performance of the PSIP and indicating possible solutions; and interfacing with Planning Section of MED with a view of providing relevant project data and performance indicators for facilitating periodic sectoral reviews.

In the past year GOB has established the National Economic Mobilization Council (NEMOC) to play an overall policy coordination role. NEMOC is made up of Minister of Foreign Affairs, Economic Development and Education (Chairman) and technical staff of the Government Ministries. Its main duties include: overseeing and coordinating national policy formulation and implementation; guiding multi-sectoral efforts to foster effective planning processes and ensuring timely and effective institutional support to MED for the implementation and evaluation of the Plan and liaising with the Cabinet, National Assembly and other sections of society in order to facilitate plan implementation. The Council assisted in progressing the preparation of the 1990-1994 Development Plan through involvement and contributions of a number of sectoral task forces.

PSIP Process

The Government of Belize 1990-1994 Development Plan is the corner stone for national development in a structured way. It is the outcome of consultation between Government and all sections of Belizean Society and contains clear policy statements, objectives and strategies for economic and social development. The Plan declares a national policy of "Making Belizeans First" through sustainable growth, human development and social equity. Indeed, it is the primary map and guide by which Belize is pursuing national development.

Essentially, projects emanate from the Ministries. Based on a formal submission to Cabinet by the respective Minister, Cabinet decides on whether, or not, a project be pursued. For projects requiring external assistance, the relevant Ministry and MED in the

ideal case work together in preparing project documentation to the satisfaction of the donor agencies. The application for financial assistance from a donor agency is made through MED. Commitment of counterpart financing is obtained through the Ministry of Finance (MOF).

The submission of a request for assistance to a donor agency begins the process of fulfilling the agency requirements for considering a project. If not already done, feasibility study, preliminary design study, costings and other special investigations are undertaken. Over a period of time and through further interactions between agency and Government staff, an acceptable project preparation is concluded and the agency then submits an appraisal for consideration and approval by its executive body.

Requirements may differ from one agency to another and the agencies give preference to certain areas based on their guidelines and perception of what is required for development. It is usual for donor agencies to insist on certain conditions if they are to participate in a project. Where strong differences arise between Government and an agency, the request for assistance is ultimately withdrawn. Appraised and approved projects would have had to comply with development objectives of GOB and pass the tests of, among others, technical soundness, viability and economic internal rate of return.

After project approval by an agency, the execution of the financing agreement is pursued through MOF with MED's involvement in some cases. MED thereafter may assist the relevant Ministry or Executing Agency (EA) in the process of procuring supervision consultancy services and selecting contractors. In certain special projects and where a gap exists in an EA, MED has performed the role of project management.

As a rule, the relevant Ministry for a project is made the EA with responsibility for project implementation. Where construction works are involved, the Ministry of Works (MOW) is made the EA. In recent times, due to some limitations at MOW, Government has seen fit to implement certain construction projects through MOF. In such instance, project management services from the private sector have been engaged.

During project implementation, periodic reports are prepared by the consultants for a project and submitted to the EA. Pertinent problems and issues are addressed by the EA. In special circumstances, progress reports are prepared by the EA and/or MED for submission and consideration by Cabinet.

Annual budget call is made by MOF at the end of October at which time each Ministry is required to submit estimates for both recurrent and capital (CAP) expenditure in the coming fiscal year. CAP expenditure refers to: (a) CAP II estimates involving Central Government financing only for all projects and CAP III estimates involving donor agencies financing only for projects. CAP III consists of CAP IIIA projects for which donor agency financing has been secured and CAP IIIB projects for which donor agency financing is yet to be obtained. MED assist MOF in compiling estimates for CAP III projects. In February MOF discusses with each Ministry its estimates. In early March, the budget estimates are submitted to the Cabinet for consideration. The budget is then presented to the National Assembly for debate and approval. Following the approval of the budget, the PSIP is updated and a comprehensive report on PSIP performance is prepared by MED.

PDB

In the first quarter of 1987, Economic Commission for Latin America and the Caribbean/Instituto Latinoamericano de Planificación Económica y Social and United Nations Development Programme (UNDP)/Department of Technical Cooperation for Development embarked on setting up computer hardware and software system for a PDB at MED through engagement of foreign consultants. The PDB formed part of a programme funded by UNDP entitled "Social and Economic Planning - BZE/84/001" and was considered as an essential and integral component of the planning process in the country of Belize. The aim was to, *inter alia*, assist GOB in the task of preinvestment and investment, provide training in use of computer and relevant software and prepare a number of manuals which include user's manual, prioritizing projects at profile level, appraisal and monitoring of projects, etc.

In subsequent years up to date, more foreign consultants visited Belize to follow up the PDB's progress. Since September 1989, a national consultant was engaged as system analyst/manager under UNDP technical cooperation programme for Belize to get the PDB operational. His services were initially for one year and have since been extended to September 1992. Additionally, during the period from 1987 to 1991 (to date), the computer system at MED has been substantially upgraded with assistance of United States Agency for International Development and South Korea. At Appendix 3 is given a list of computer hardware and software together with accessories for the PDB system.

The achievement of the PDB system to date may be summed up as follows:

- (a) relevant computer hardware and software have been successfully set up at MED;
- (b) a competent national computer expert is in place for operating and managing the PDB activities; but
- (c) there is a non-functioning PDB based on the use of d-Base III plus because of incomplete data inputs on all projects.

On the other hand, in the first quarter of 1991, the national computer expert has successfully established and got operational a data bank on concessions to private companies in the Private Investment Concession Section of MED. There are presently 234 projects/businesses entered into this data bank of which 151 concessions are active. Performance reports are prepared on a need basis.

An examination of this success story is instructive. Two assistants for entering data and two technical staff together with the national computer expert have been engaged in this exercise. Each private company must submit an acceptable business/project proposal for consideration by GOB. Each company with a concession is required to provide an annual audited report and financial statements. If the companies fail to submit these to GOB within a deadline, a fee is levied on them for late submission or the concession is revoked for non compliance. In conclusion, the hallmarks of success of this data bank are, among others, the application of necessary human resources and computer system and incentive in place for ensuring provision of required data in a timely manner.

3. PSIP PROBLEMS AND CONSTRAINTS

There are some problems and constraints which are adversely affecting and hampering the PSIP and its performance. The critical ones are indicated below.

Project Selection

In GOB's efforts to ensure greatest impact on greatest needs, proper project identification, formulation and implementation are of greatest concerns, especially as GOB increases its level of capital investment and as resources become more limited. Project screening and selection are primarily carried out by a Ministry and project information is kept at that respective Ministry. There are however some deficiencies in project data mainly because formal

preparation and standards have not been enforced or insisted on. In practice, project data is not channelled to a central entity for review, comments, etc. in a predetermined way.

An agreed on list of project criteria does not exist nor any formal project ranking is done. Central Government funded projects are more affected by this informal approach. However, externally funded projects are more in line with a formal approach since donor agencies' guidelines for financial assistance are applied.

PSIP Projects

Projects are presently entered into the PSIP at the annual budget call exercise, and not throughout the year, because the best sets of data are provided then especially in respect to provisional expenditure and projected expenditure. To some extent expenditure from donor agency funds are not always provided as in the case where a Ministry oversees a project but the project is managed outside of the Ministry.

A complete set of all financing agreements is not kept in any one Ministry. Most financing agreements are kept in MOF which has the primary role of resource allocation, some in the Central Bank of Belize which has the role of external finance management and some in MED which has its primary role economic planning and coordination. In addition, the project appraisal reports are lodged with the executing Ministry. At times obtaining data on approved projects can be time consuming and indeed a major task.

Interactions

Improved and effective communication between ministries is of paramount importance to efficient implementation and successful realization of the PSIP in a timely manner. Information on projects and their performance is either not easily obtained nor readily available in any organized manner.

Proper information flow is critical for the management of projects by EAs and ultimately the Government. Purposeful consultation Inter-Ministry and/or Intra-Ministry as necessary and taking advantage of expertise and talents of Government as a whole is essential for effective communication and augurs well for good team-work and greater efficiency in management and implementation of the PSIP.

Constraints

Government is seriously constrained by the scarcity of qualified and experienced staff in certain Ministries for the planning, formulation, implementation and management of PSIP projects. The efforts of Government in obtaining and keeping such staff are adversely affected by, among other things, relatively lower pay as compared to that of the private sector and the apparent heavy bureaucracy which limits initiative and creativity.

Another factor impinging on continuity has been the high turnover particularly of technical staff in certain key Ministries such as MED, MOF and MOW. Also, it is felt that certain Eas/Ministries are stretched or, in other words, their performance are adversely affected by limited absorptive capacity in respect of projects. Finally, the practice of transferring a person who has been trained to meet the needs of a Ministry needs to be looked at carefully.

Project Implementation

The implementation of projects by EAs is one area that requires greater attention in view of shortage of qualified and experienced professional, technical support staff and project managers referred to above. Straightforward and non-complicated projects have performed with a measure of success. The ingredients for successful cases include: good relationships among all concerned parties, availability of necessary expertise in respective EAs/Ministries, provision of services of competent consultants, proper supervision of such services, etc.

However, large size and complex projects have generally not performed to expectations; and they have experienced both time and cost overruns. Some problems and lessons have been noted which include:

- (a) sufficient care must be exercised in arriving at a proper project design and, equally so, the appropriate implementation process;
- (b) a project coordinating committee is not a substitute for the provision of acceptable project management;
- (c) project management responsibilities divided up among Government Ministries/technical officers generally result in problems and bottlenecks;

- (d) efficient and effective project management is most critical to ensure successful project completion in a timely and cost-effective manner.
- (e) all contracts for consultants and contractors must be carefully and properly prepared at all times to ensure, inter alia, clear definition of responsibilities; and
- (f) all contracts for consultants and contractors must be closely monitored and controlled.

Financing

Another problem is that pertaining to timely cash flow. With respect to Central Government contributions, there is the complaint by the EAs/Ministries of untimely release of funds for capital projects. This untimeliness affects proper planning and implementation of projects in a cost-effective manner. On the other hand, the EAs/Ministries sometimes fail to ensure reimbursement under loans provided from External Agencies due to untimely submission of claims and improper attention to procurement requirements.

Data on debt and recurrent cost implications of expenditure projected in the PSIP is critical for investment planning. In the circumstances of a heavy reliance on external financing of around 71% and of an apparent shrinkage in accessing financing on concessionary terms, proper monitoring and accurate debt service predictions are very essential. Of relevance, direct disbursements by donor agencies are usually reported on in a timely manner. A few donor agencies provide GOB with up to date statements of all disbursements and remaining balances.

PDB

Since its introduction in 1987, the PDB at MED is not with full information on all PSIP projects and as such has not been operational. Efforts toward the preparation of the PSIP for the period 1990-1994 and updating the PDB on public investment at MED were initiated in November, 1990 when the budget call for Fiscal Year 1991/1992 involving, inter alia, CAP Estimates was made. MOF modified their usual forms to facilitate collecting/requesting additional critical data for likely PSIP projects and programmes.

Through formal communication to the Permanent Secretary of each Government Ministry and chief representative of each donor agency in December, 1990, MED requested their assistance and support in getting necessary project data on projects of the PSIP

and provided them a copy each of Project Data Capture Form 1 and Project Quarterly Progress Report Form 2 Public Sector Investment together with definitions of terms used in the said Forms 1 & 2. Also, they were advised that an eight-man team comprising five (5) staff members of MED, one (1) of MOF and two (2) of the Central Bank of Belize (CDB) were spearheading the exercise of gathering all necessary data over the following two (2) months and that such undertaking was an integral part of the budget call. The team met almost weekly over the period to report on progress in data collection. The task of collecting data was in addition to normal responsibilities and duties of each respective team member and thus was done on a part-time basis.

With respect to Forms 1 & 2 exercise, there were mixed results, where some forms were completed satisfactorily and others were not fully filled out due to lack of proper information. In respect of budget estimates submitted, MOF compiled the CAP II estimates on all projects and MED assisted MOF in compiling CAP III estimates on projects. The estimates for 1991/1992 were past by the National Assembly on March 22, 1991. Immediately thereafter, the PSIP Section proceeded to prepare the PSIP for 1990-1994 which comprised 87 development projects as at March 31, 1991. Such projects were selected and compiled from the CAP II and CAP III Estimates approved by the National Assembly and certain projects have been grouped into programmes. The projects were selected taking into account the following factors: (a) the projects largely complied with the strategies enunciated in the Development Plan 1990-1994 and satisfy basic developmental considerations such as macroeconomic factors, social concerns and environmental aspects; (b) the projects were actively being implemented; (c) the projects were new, funding arrangements (through local revenue and/or external agencies) existed and their implementation were expected to start within the review period; and (d) the projects were new and financing arrangements were actively being pursued with external agencies. Subsequently, the PSIP Section prepared a "Report on Public Sector Investment Programme 1990-1994 as at March 31, 1991". The Report is the first of its kind prepared and published by MED. A copy each of the Report was distributed to the Permanent Secretary of each Government Ministry for comments and attention. Close monitoring and evaluating of PSIP progress and performance on a quarterly basis by the PSIP Section is ultimately intended.

Important understandings and lessons have emanated from the aforementioned exercises. The PDB at MED uses dBASE III PLUS computer programme which has a comprehensive capability and capacity for data storage, compilation, table presentation and preparation of pertinent reports. It was required that the PSIP be

completed by end of May 1991. In the circumstances of incomplete data and time constraint, an alternative was pursued through making use of the database and spreadsheet programmes of Quattro Pro computer programme. This Quattro Pro programme facilitated the relevant classification of projects by sectors, compilation of estimates and preparation of important tables.

Information on projects and their performance were neither easily obtained nor readily available in an acceptable and organized manner. Truly, the Ministries/Eas would be more efficient and effective in projects matters if proper records on projects are maintained and regular reports are prepared to ensure proper monitoring and control.

Commitment for the provision of data on projects and their performance is apparently lacking and there is a notion that MED staff ought to directly collect data required. Apparently, they do not perceive any commensurate return for their efforts in providing such data through filling out of project Forms 1 & 2. Additionally, it appears that competence in filling out such forms is lacking.

In concluding, the information system as it exists does not provide for proper and effective use of the PDB system on public investment at MED. In the meantime, it is necessary for MED to take positive measures for direct collection of data for its PDB, especially for critical projects of the PSIP.

4. PROPOSED SOLUTIONS

The proposed solutions below are not necessarily solutions that GOB intends to adopt but they are solutions emanating from the definition of problems set out in Chapter 3 taking into account how things are done in PSA, work ethics and attitude, conditions of work and overall environment of Belize. As mentioned in Chapter 1, GOB is aiming at, and is receptive to, making improvements as far as possible for achieving greater efficiencies and effectiveness within the system and the country as whole. Also, it is intended that these proposed solutions will be revised where necessary based on discussions and experiences of other countries participating at the three-day conference on "Project Data Bank & Public Sector Investment Programming" and will be presented to GOB for consideration.

Project Selection & PSIP Projects

It is proposed that GOB introduce procedures for the preparation of PSIP. It is envisaged that these procedures should include:

- (a) preparation of project proposals, beginning with a project profile, prefeasibility study and feasibility study;
- (b) selection criteria for all projects and projects entering into the PSIP;
- (c) formation of a committee which will comprise mainly representation from MED, MOF and CBB to screen projects and make recommendations for projects entering the PSIP;
- (d) submission of recommended projects for NEMOC's consideration with a view to prioritize and determine which projects are to be submitted to Cabinet for inclusion in the PSIP; and
- (e) selection committee to meet at least two times within a fiscal year.

Furthermore, it is felt that the time is ripe for carrying out formal ranking of projects. This will require, among other things:

- (a) the establishment of an entity for carrying out formal preparation and appraisal of projects and for undertaking ranking of projects by standard tests, viz net present value, financial and economic rates of return, benefits to the economy with respect to net foreign exchange earnings, contribution to GDP, job creation, transfer of technology, etc. and
- (b) the provision of necessary resources such as facilities and skilled and experienced persons in project preparation and appraisal.

Interactions

In respect to capital projects, the relationships between MOF, MED and a EA/Ministry should be strengthened and streamlined as necessary. In this regard, it is envisaged that the Ministries are responsible for project identification, MED is to facilitate and

coordinate donor agencies involvement and MOF is responsible for resource allocations. This tri-partite relationship should be strongest up to the point of securing funding from donor agencies. The Eas/Ministries should then be held fully responsible for implementation of their projects. MOF is to release funds in a timely manner to ensure successful outcome of the project in a cost-effective manner. MED is to carry out monitoring and evaluating of projects with a view to highlight problems and factors adversely affecting project performance and indicating likely solutions.

It becomes clear that the Eas/Ministries are to keep proper records on their projects that can be readily accessed, especially with respect to expenditure, and prepare periodic reports on the performance of their projects. These should be management-type reports focusing on achievements vs. targets, problems, possible solutions and plan of action. It is assumed that formal submission of reports will be made within the Ministries for consideration by the PSs together with relevant heads of departments and ultimately by the respective Minister.

It is also proposed that an acceptable information network be instituted, and made fully functional, between primary Ministries, namely MOF, MED and CBB. Such network is deemed of primary importance for effective investment planning. It may be apposite for GOB to engage the services of a systems expert to review what exists and make proposals for improvements, etc. The aforementioned records and reports done by the Ministries should include relevant data required to enable accurate monitoring and prediction of external debts and to facilitate assessing future fiscal demands and making comparisons of the relative cost and benefits in using domestic or foreign resources. Finally, a copy each of all project financing agreements should be made available to the above-mentioned Ministries for necessary monitoring of the terms especially in respect of financial obligations and ensuring, among other things, that covenants are being adhered to.

Constraints

The provision of suitably qualified and experienced (job-related) staff, especially in respect of project activities, will not be achieved in the immediate future. It is a time consuming exercise and should be approached in a principled and systematic way. To this end GOB has indicated in its Development Plan that human resource development is a priority area. Indeed, a Human Resource Development Committee (HRDC) has been formed and is operational for more than a year. HRDC aims, among other things, to address human development and training needs within PSA

with a view of recommending improvements to the training programme presently provided through the Establishment Department in the Ministry of Labour, Public Service & Local Government. Also, GOB has indicated in its PSIP 1990-1994 a project for the setting up of a Public Service Training Facility and has recently given number one priority to Project Management in its list of eligible subjects for Professional & Technical Scholarships.

For this exercise it is deemed appropriate to make proposals by which GOB may make strides in resolving in the short-term the shortage of qualified and experienced staff. These include:

- (a) to introduce a policy restricting the movement of staff with special expertise in a Ministry viz.:
 - where a staff has been trained for a specific purpose in a Ministry, the staff should be retained in that Ministry for an acceptable period; and
 - where a staff is assigned say the responsibility for implementing a large size and complex project, the staff should be kept until the project is successfully implemented;
- (b) to train staff as follows:
 - satisfying the needs of a Ministry through job-related short-term courses;
 - conducting course(s) on project cycle in Belize for say 20 to 25 staff at a time through assistance from the Caribbean Development Bank;
 - adopting a policy of training trainers to conduct training; and
- (c) to make greater use of services provided by the private sector.

Project Implementation

The process of project implementation begins at the time of project preparation and appraisal. One of the tests of a well prepared/appraised project is the high level of achievements at the implementation phase. A well thought-through process of implementation is a primary prerequisite of a well designed project. Once a project is approved and a financing agreement is executed, the guide and map by which the project is to be

implemented is the financing agreement and not the appraisal report. Truly, the appraisal report becomes a reference document.

With the foregoing distinctions in mind concerning financing from international donor agencies, it is envisaged that improvements to project implementation can be made should the following proposed measures be adopted and pursued diligently:

- (a) Provide, at all times and for all type projects, acceptable and dedicated project management/manager with full responsibility for project implementation. It is without a doubt assumed that proper provision in the project cost has been made for such project management.
- (b) All contracts for consultants and contractors must be carefully and properly prepared at all times to ensure, inter alia, clear definition of responsibilities; and all contracts must be closely monitored and controlled.
- (c) Visiting of project site on a periodic basis is vital and integral in monitoring project. Truly, seeing is believing.
- (d) In the case of financing by international agencies special attention, and adherence, must be paid to:
 - covenants set out in the financing agreements;
 - procurement requirements; and
 - procedures for the withdrawal of funds.
- (e) Periodic management reports must be prepared focusing on achievements vs targets, problems and constraints, solutions to problems, action plan, etc.

Financing

In respect of financing problems identified at Chapter 3, it is proposed that the following be done:

- (a) Central Government contribution to a project under implementation should be made available in a timely manner and in amounts projected for expenditure in a specified period. It may be necessary for MOF/GOB to review the existing system for making any necessary improvements, ultimately with objective of ensuring efficient and cost-effective execution of projects.

- (b) EAs/Ministries must be fully informed about the donor agencies procedures for withdrawal of funds and about their procurement guidelines to ensure prompt withdrawals and adherence to their procurement requirements, etc.
- (c) EAs/Ministries must keep proper records of all expenses and requests for draw downs and seek to obtain data on actual amounts of monies disbursed by donor agencies.
- (d) Donor agencies on the other hand should make available to GOB quarterly statements on withdrawals and remaining balances under the various financing agreements for projects.

PDB

The problem of the PDB for PSIP can be summed up under two main headings, viz: (i) inadequate provision of necessary human resources and attention; and (ii) lack of proper information flow. Proposed solutions in attaining a fully operational and functioning PDB at MED include the following:

(a) Human Resource

- At MED provide the necessary staff to ensure proper day-to-day operation. It is envisaged that the systems manager/operator with assistance from a technical assistant must focus attention on the activities of the PDB for PSIP.
- At MED monitoring of projects in the PSIP must be divided up primarily among staff of the PSIP Section and in a limited way among the staff of the Planning Section. These staff will assist in verifying data before entering project data in the PDB. Special attention must be given to critical projects of the PSIP. Without a doubt the systems manager/operator will oversee the activities of the PDB and as necessary seek to obtain requirement data directly from the relevant contact person in the EA/Ministry and/or donor agency.
- The computer systems manager/operator is to train MED staff who are involved in the data collection exercise in the use of dBASE III PLUS programme, the generation of relevant reports and operation of the PDB for PSIP at MED. Additionally, the systems manager/operator will ensure that MED staff are

fully versed in filling out of collection project data Form 1 and Form 2.

- The Establishment Department in the Ministry of Labour, Public Service & Local Government must provide training in the use of dBASE III PLUS as part of its present efforts for making Government employees become literate in the use of computer software programmes.
- A contact person in respect of projects must be designated in each EA/Ministry and donor agency.

(b) Flow of Project Data

- Government must make it a rule and obligation that all capital projects must be entered into the PDB at MED. To this end, it is required that, as provided for in the Project Data Capture Form 1, the EAs/Ministries must be made to fill out this Form 1 for each stage of the project cycle starting with a project concept/idea through to project appraisal and approval of funds. And, concerning projects in implementation phase, it is required that they diligently fill out Project Quarterly Progress Report Form 2 Public Sector Investment on their projects.
- MED staff must follow up that these forms are filled out on time through reminders. As necessary, MED staff must provide assistance in a hand-holding fashion especially where it is detected that there is a lack of understanding in proper filling out of the said forms.
- MED staff should ensure that the data provided in the above-mentioned forms through, among other things, cross checking periodic reports by consultants and staff of the EAs/Ministry.
- The PSIP and PDB staff must prepare quarterly reports on the performance of the PSIP, highlighting trends, common problems, specific problems, etc. and making recommendations for likely solutions and action by GOB. These reports are to be distributed to PSs and Ministers for their consideration and any necessary consequential actions.

APPENDIX I

PSIP SUMMARY - FUNCTIONAL CLASSIFICATION
(\$,000)

SECTOR	FY90/91 (PROV.)		FY91/92		FY92/93		FY93/94		FY91/92 - FY93/94	
	TOTAL	PERCENT	TOTAL	PERCENT	TOTAL	PERCENT	TOTAL	PERCENT	TOTAL	PERCENT
ECONOMIC SERVICES (ES):										
Agriculture	9,778	17.76%	20,201	26.82%	14,372	16.14%	10,154	14.21%	44,727	17.14%
Industry	208	0.36%	1,200	1.50%	2,601	2.92%	2,500	3.50%	6,301	2.41%
Tourism	584	1.06%	1,010	1.52%	900	1.01%	900	1.26%	2,810	1.08%
Other ES	2,660	4.83%	1,000	0.00%	1,000	1.12%	1,000	1.40%	3,000	1.15%
TOTAL ES	13,230	24.03%	23,411	29.84%	18,873	21.20%	14,554	20.37%	58,838	21.78%
ECONOMIC INFRASTRUCTURE (EI):										
Transport & Communication	23,403	42.52%	33,060	32.73%	26,913	30.22%	20,413	28.57%	80,387	30.81%
Energy	3,562	6.47%	5,600	0.00%	2,000	2.25%	3,000	4.20%	10,600	4.06%
Water	2,824	5.13%	4,182	3.79%	8,351	9.38%	10,847	15.18%	23,381	8.96%
TOTAL EI	29,790	54.12%	42,842	36.53%	37,264	41.85%	34,261	47.95%	114,367	43.83%
SOCIAL SERVICES (SS):										
Education & Training	1,598	2.90%	7,150	6.56%	8,281	9.30%	8,799	12.32%	24,231	9.29%
Population Health & Nutrition	1,127	2.05%	4,805	3.03%	15,885	17.84%	8,899	12.46%	29,589	11.34%
Housing & Community Serv.	4,042	7.34%	10,135	12.02%	3,099	3.48%	3,301	4.62%	16,535	6.34%
Other SS	882	0.00%	882	1.05%	540	0.61%	130	0.18%	1,552	0.59%
TOTAL SS	6,768	12.29%	22,972	22.66%	27,804	31.23%	21,130	29.58%	71,907	27.56%
GENERAL PUBLIC SERVICES (GPS):										
Administration & Planning	3,712	6.74%	4,842	3.84%	1,550	1.74%	1,050	1.47%	7,442	2.85%
Public Safety	1,545	2.81%	6,390	7.14%	3,550	3.99%	450	0.63%	10,390	3.98%
TOTAL GPS	5,257	9.55%	11,232	10.98%	5,100	5.73%	1,500	2.10%	17,832	6.83%
TOTAL PSIP	55,044	100.00%	100,457	100.00%	89,042	100.00%	71,445	100.00%	280,944	100.00%

APPENDIX II

PSIP SUMMARY - FUNCTIONAL CLASSIFICATION
(\$,000)

SECTOR	FY90/91 (PROV.)		FY91/92		FY92/93		FY93/94		FY91/92 - FY93/94	
	TOTAL	PERCENT	TOTAL	PERCENT	TOTAL	PERCENT	TOTAL	PERCENT	TOTAL	PERCENT
ECONOMIC SERVICES (ES):										
Agriculture	9,778	17.76%	20,201	26.82%	14,372	16.14%	10,154	14.21%	44,727	17.14%
Industry	208	0.36%	1,200	1.50%	2,601	2.92%	2,500	3.50%	6,301	2.41%
Tourism	584	1.06%	1,010	1.52%	900	1.01%	900	1.26%	2,810	1.08%
Other ES	2,660	4.83%	1,000	0.00%	1,000	1.12%	1,000	1.40%	3,000	1.15%
TOTAL ES	13,230	24.03%	23,411	29.84%	18,873	21.20%	14,554	20.37%	58,838	21.78%
ECONOMIC INFRASTRUCTURE (EI):										
Transport & Communication	23,403	42.52%	33,060	32.73%	26,913	30.22%	20,413	28.57%	80,387	30.81%
Energy	3,562	6.47%	5,600	0.00%	2,000	2.25%	3,000	4.20%	10,600	4.06%
Water	2,824	5.13%	4,182	3.79%	8,351	9.38%	10,847	15.18%	23,381	8.96%
TOTAL EI	29,790	54.12%	42,842	36.53%	37,264	41.85%	34,261	47.95%	114,367	43.83%
SOCIAL SERVICES (SS):										
Education & Training	1,598	2.90%	7,150	6.56%	8,281	9.30%	8,799	12.32%	24,231	9.29%
Population Health & Nutrition	1,127	2.05%	4,805	3.03%	15,885	17.84%	8,899	12.46%	29,589	11.34%
Housing & Community Serv.	4,042	7.34%	10,135	12.02%	3,099	3.48%	3,301	4.62%	16,535	6.34%
Other SS	882	0.00%	882	1.05%	540	0.61%	130	0.18%	1,552	0.59%
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TOTAL GPS	5,257	9.55%	11,232	10.98%	5,100	5.73%	1,500	2.10%	17,832	6.83%
TOTAL PSIP	55,044	100.00%	100,457	100.00%	89,042	100.00%	71,445	100.00%	280,944	100.00%

APPENDIX 3

PDB COMPUTER SYSTEM

System Hardware:

- 1 IBM PS/2 Model 60 (80286)
- 1 VGA Monitor
- 1 MB RAM
- 1 40 MB Hard Disk
- 1 3½" Floppy Drive (High Density)
- 1 5¼" Floppy Drive (Double Sided Double Density)
- 1 80287 Math Coprocessor
- 1 Hayes JT Fax 4800P (Fax Board)
- 1 HP LaserJet Series II Printer with 4.5 MB memory
- 1 UPS

Options not yet installed:

- 1 120MB Hard Disk
- 1 2MB Expanded Memory Board
- 1 2400 Internal Modem

System Software:

- Data Bank System written in dBASE III PLUS
- DBASE III PLUS
- Clipper Compiler
- R&R Report Writer
- Harvard Graphics & Ventura Publisher
- Quattro Pro
- WordPerfect 5.1

BRITISH VIRGIN ISLANDS

PUBLIC SECTOR INVESTMENT PROGRAMMING AND THE
MANAGEMENT OF THE PROJECT CYCLE

Otto O'Neal *

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INTRODUCTION AND DIAGNOSIS OF THE PSIP AND PCM

Several areas of the PSIP could be dramatically improved upon to increase the efficiency and consistency of investment programming. Closer collaboration and coordination between the Development Planning Unit and the Ministry of Finance would result in the more accurate and meaningful data upon which to base projections. Projections of revenue/expenditure and the residual savings would be more meaningful if macroeconomic projections contained in National Accounts, Balance of Payments and Government Financial Statistics were employed.

The Development Planning Unit, which is charged with the development and coordination of the PSIP and some management of the Project Cycle, suffers from an acute lack of human, financial and physical resources. Additionally, the system in place for the provision of information to support PSIP updating is not institutionalized and functions mainly on goodwill, personal or professional relationships. The level of professional staff available for project development and PSIP related activities precludes preparation of the properly detailed analysis required for a PSIP.

Implementing and executing agencies, in a similar fashion to the coordinating agency, suffer from acute shortage of competent personnel to take projects through the preinvestment and investment phases. Therefore, the entire PSIP process suffers from the lack of quality information upon which to base decisions.

The incompleteness of the PSIP process is manifested in the very nature of the absence of real integration of the public budget with the policies, plans and programmes of the public sector. Integration takes place only to the extent that counterpart funding for externally financed projects are budgeted if they are required for the preinvestment and investment phases.

Budgeting and macroeconomic forecasts in fact are weakly linked as our budget is more concerned with legal requirements rather than economic classifications. As well macroeconomic forecasts are hardly available and would be somewhat unreliable due to the absence of a timely flow of data. The unavailability of quality and quantity data to provide reliable macroeconomic forecasts is a result of not having the requisite level of skilled manpower as well as the political commitment to development planning.

Management of the project cycle is done in a more satisfactory manner than the PSIP. Improvement is needed especially in the preinvestment phases specifically in areas of project identification, formulation and evaluation. The unavailability of skilled personnel as well as a lack of commitment on the part of policy makers are responsible for the absence of emphasis on these preinvestment phases. As well, but to a lesser extent, is the fact that most projects have been financed from current budget savings or grants by agencies not insisting on emphasis on these phases.

The investment phases function well except that they may be improved with additional emphasis on reporting on the physical progress of projects as well the accounting aspects such as expenditure, variation orders and time delay costs. A better flow of information is needed to permit a more comprehensive impact evaluation.

With respect to the operational phases, the post implementation evaluation area could be strengthened considerably to provide feedback and information on whether projects were able to meet their objectives as well as an idea of the lessons learned in the process of implementation.

PRESENT FUNCTIONING OF THE PSIP AND PCM

Whilst it is helpful in providing statistics in respect of expenditures, project classifications, economic activities, financing types and sources, the current PSIP value as an investment tool is extremely limited. Although financial information provided by the present PSIP is rather incomplete, that relevant and available such as the level of capital outlays required to be financed by the domestic budget, are reflected in the capital budget.

The unavailability of financial information which would provide a more informative link between the investment programme and the national budget renders the PSIP process relatively useless as a management tool. It makes the budgeting process appear simplistic and primitive when actual investment levels have varied from 50% to 300% of projected investment levels according to the national budget on an annual basis.

Functioning as little more than an organized list of projects in tabular form, the PSIP serves more as a shopping list to be displayed for donors than as an attempt at coordination of investment strategies which are consistent with the national

economic and social policy normally articulated in a National Development Plan.

There is little or no integration of the budgeting and planning processes. An examination of our budget reveals that it is in compliance with legal statutes and bears little relevance to economic criteria thereby rendering linkage between national development objectives, the budget and projects implemented virtually zero or at best minimal.

The Projects and Planning Review Advisory Committee (PPRAC) which is an interministerial committee whose TOR's is monitoring and reporting on the implementation of the project cycle. Management of the Project Cycle in the BVI is described immediately below.

The preinvestment phase of the cycle including identification, formulation, appraisal/evaluation function quite well given the level of personnel and volume of projects. The major drawback is that there seems to be an urgency to implement projects hence quite often the decision to implement is based solely on a political will or an engineering study showing that the project is feasible.

Additionally, the inadequate level of personnel for operations in this phase tends to restrict rigorous examination of projects to determine those which meet criteria established.

The project identification phase, which begins with submission of projects to the Ministry of Finance for Inclusion in the Annual Capital Budget, is the subject of political horse trading thereby breaking down the systematic selection criteria basis. This in turn means that it is very likely that management of the PCM has led to the selection of projects which were not consistent with National Development objectives.

Project preparation in respect of locally financed projects is minimal regardless of their costs whereas projects financed by loans or from external sources receive, at times, very sophisticated preparation by the Development Planning Unit staff in cooperation with identifying, executing or implementing agencies.

Project evaluation, then, naturally suffers from the absence of detailed information provided in the identification and preparation phases. Although the coordinating agency has the relevant skilled personnel to apply all the necessary analysis, the lack of a better level of information prohibits this.

The PSIP preparation suffers in large measure from pronounced absence of institutional coordinating capacity, political and bureaucratic will to commit investment to a systematic process. The current state of PSIP preparation in fact is reflective of the superficial institutionalization of the entire development planning process, particularly in respect of rational economic planning. The PSIP process suffers from lack of coordination and integration of bureaucratic activity across ministries and departments especially with regards to areas which impact on macroeconomic management. Besides lack of coordination and integration, the organizational placement and status of the agency charged with coordination of the PSIP puts it at a disadvantage in terms of its ability to command, instruct and require information. Additionally, at the organizational level resources, both human and financial, are inadequate to provide the level of attention necessary when considering the volume of public investment over the next five years. The level of human resources is inadequate in the executing ministries rendering the preinvestment process inadequate in respect of analysis in areas of identification, preparation, formulation and evaluation.

The PSIP process is incomplete with regards to integration of the investment and budgetary processes. The absence of substantial integration of investment expenditure into the public budget hinders a full appreciation and impact of investment on the recurrent and capital budgets in the future. The PSIP is not entirely reflective of having been developed in a relevant macroeconomic framework which would have allowed an identification of growth patterns and feasible levels of investment to be targeted annually.

The problems most experienced in Project Cycle Management (PCM) are led by the absence of a consciousness and acceptance on behalf of the policy makers of the need for a proper management system in this regard. Because of the lack of commitment by policy makers, the PCM suffers from the absence of a structurally sound organization across agencies which is sufficiently endowed with well-trained professional and support staff. Additionally, the absence of clearly defined and articulated procedures for the processing of projects coupled with different methodologies for preparing and appraising projects cause great difficulty in management of the project cycle.

The project cycle suffers from a system of budgeting especially in respect of resources allocation in our PSIP which is heavily bunched towards implementation in the first two years. The

budgeting aspects, as they affect the project cycle, are not properly integrated with national budgeting and therein arises the problem of resource flows to allow for implementation according to programme.

IDENTIFICATION OF CONCRETE PROBLEMS AND CONSTRAINTS IN THE PREPARATION AND IMPLEMENTATION OF THE PSIP AND PCM

Those persons who identify projects are not necessarily fully aware of accepted strategies and policies and are not always in a position to feed back information to those who are responsible for formulating policies. The absence of information in respect of policies and the articulation of policies is not conducive to the flow of information which impacts on project activity throughout the Project Cycle.

Although the presence of strategies is sufficient to afford selection and implementation of projects consistent with national objectives, the major constraint would be the width, breadth and timelessness of the macroeconomic database as it relates to projects.

Very seldom is a Project Identification Brief (PIB) prepared for all projects especially those which are fully funded from domestic budget savings or other local sources. In that way agencies and personnel concerned are not given clear definitions of the objectives of the project, neither the constraints nor means of overcoming them or a preliminary assessment of costs and benefits. Therefore the above is a major constraint in project identification as the decision makers are not privy to the best available information when being invited to commit resources for detailed feasibility studies and project preparation.

In terms of project preparation we are constrained mainly by the availability of only a few persons with advanced levels of skills who are competent to work on some of the larger projects. The constraint is further intensified due to the fact that the advanced skills are concentrated in the Central Planning Agency whilst most projects are identified in executing and other agencies without the benefit of a PIB being forwarded to assist with detailed preparation.

The most recent phenomena being the employment of consultants who tend to work almost exclusively with the identifying agencies somewhat ignoring Development Plan objectives which might have not being documented but certainly available. This practice is made detrimental by the fact those identifying agencies personnel do not

normally posses the prerequisite skill to be able to benefit from a transfer of skills from the consultants.

In the appraisal/evaluation phase of the PCM there is a bureaucratic conviction that detailed and extensive work simply retards the implementation rate once the preliminary political decision to proceed is made. Whilst we are in a good position to appraise the technical, institutional, financial and economic aspects of projects, our capacity to determine the extent of social impact is severely constrained. This constraint was manifested in the recent public demand to provide more and detailed information on the cruiseship facilities now under construction. There is also a tendency to underestimate the institutional dimension of projects or to want to implement projects which are somewhat beyond the institutional capacity of the implementing agency i.e. organizational structure, procedures, remuneration and seniority ranking criteria. Overcoming or getting around these constraints has proven difficult and can only be tackled at the national level. The phenomena of project managers on all major projects is a lesson learned from the implementation of the Peebles Hospital Project.

The next phase, project implementation, is characterized by constraints in respect of personnel for implementation management, adequate technical staff and the scheduled release of funds to aid with construction and operation. In terms of project implementation management we have still not been able to convince decision makers that our present capacity in the Public Works Department no longer matches the sophistication of projects now targeted in our PSIP. Current personnel do not possess the requisite skill to deal with the volume or technical dimension of some major projects in the PSIP.

The operational phase of many projects are not yet severely impacted by the absence of integration of project operation expenditures in the Central Government National Budget. Difficulty has been arising when personnel numbers are programmed to increase, working capital requirements come on stream and when major maintenance or equipment purchases are due. Capital expenditure as a portion of the recurrent budget has increased while recurrent expenditure for project maintenance has decreased as a proportion of the same variable signalling significant problems ahead.

Project monitoring shortfall is that we concentrate on the preparation of financial and physical progress report for cabinet while ignoring the dynamic of the project environment such as whether budgets targets were realistic, whether project circumstances are largely the same, what were the impediments to implementation or to what extent can be seek remedies before the

situation becomes correctable at a reasonable cost. The absence of a proper system which will allow collection and presentation of the data to the decision makers on a timely basis is a serious constraint.

PROPOSED SOLUTIONS

Given the extent of problems and constraints to PSIP and PCM described above it is imperative that a fairly comprehensive set of solutions must be proposed over a phased period if we are to realize substantial improvement. In view of the fact that there exists, in a limited way, elements of what would be, when developed, an efficient investment management system it seems likely that the task before is a manageable one.

The proposed solutions are concentrated on the establishment of information flow systems together with provision for improvement of skilled personnel, further institutionalization of the planning process and a substantial improvement in financing procedures. As such the following is proposed:

- (i) establishment of a Development Planning Committee including a number of subcommittees to facilitate project pre selection, selection, finance and monitoring;
- (ii) integration of the budget and planning process through extensive budget reform and meaningful investment programming;
- (iii) integration of the budget process with a system of macroeconomic projections;
- (iv) establishment of a computerized project information system;
- (v) strengthening of the institutional capacity of the principal planning agency in accordance with a proposed Five-Year Development Plan 1992-1996;
- (vi) strengthening of the institutional capacity of project identifying ministries and agencies;
- (vii) allocation of more resources to strengthen the preinvestment process;

- (viii) improvement of reporting, information flows and financial control relevant to the investment process;
- (ix) establishing a meaningful system to ensure that the information gained from operational phases of projects is feedback through the system to improve the process.

It is accepted that the measure proposed above are likely to require a considerable outlay of human and financial resources in addition to a reasonable period of time for implementation given domestic political and bureaucratic realities. Each proposal will not be dealt with in further detail.

1. The Development Planning Committees will constitute ministers and relevant top level bureaucrats capable of developing and implementing policies, procedures, guidelines, priorities, programming and reporting in respect of the investment process.
2. Integration of budgeting and planning to allow for the preparation of budgets detailing capital outlay and operating costs associated with projects thereby providing an estimate of investment impact on the national budget.
3. Provision of more timely data from Balance of Payments, National Accounts, Government Finance Services, Trade, Financial Services and Tourism to allow better projections of revenues and expenditures.
4. The computerized project information system will be established at the coordinating agency as well in all identifying ministries to provide up-to-date management information.
5. In addition to the upgrading of the statistics capability in respect of the macroeconomic aggregates a division staffed with four economists to work exclusively on investment and manpower planning will be recommended in accordance with the proposed Five-Year Departmental Plan 1992-1996.
6. All identifying ministries will have an economist at their disposal to assist all phases of Project Cycle Management.

7. More resources will be put into the preinvestment process particularly to strengthen project identification, preparation, formulation and evaluation making the process more efficient by assisting the Development Planning Unit.

COLOMBIA**NATIONAL INVESTMENT PROJECT DATA BANK****Agreement IDB/DNP/ILPES****Francisco Mejía ***

* Former Coordinator, National Investment Project Data Bank;
National Planning Department of Colombia (DNP).

I. GENERAL CHARACTERISTICS

1.1 Background

The growth rate of a given country or region depends, among other things, on the investment rate. However, an increase in investment serves no purpose if the projects supported are bad ones, i.e. that their contribution to growth or social welfare does not justify their cost. Therefore, in a context of limited resources, it is essential to find methods and instruments that will support the selection of good projects and ensure the efficient use of the resources allocated to them. One such instrument, developed over the past decade and proving to be very useful, is the Projects Bank.

Projects Banks originally consisted of a set of procedures and methodologies for organizing and standardizing public investment project information managed by different institutions. Subsequently, as data processing became more common, and given the large volume of information to be managed, the system was computerized.

1.2 Objectives

Projects Banks are public investment information systems whose main objective is to ensure that such information is managed as efficiently as possible.

This general objective may, in the BPIN's case, be broken down into the following short- (specific), medium- and long-term objectives:

Specific or short-term:

- (a) Provide any public sector agency with information on proposed or ongoing investment projects.
- (b) Monitor and supervise public investment projects.
- (c) Support investment decisions, principally at the level of sectoral and territorial government authorities with less management capacity and lower levels of development.
- (d) Foster an integrated approach to investment projects and operating projects.

General or medium and long-term

- (a) Serve as an instrument for the allocation of public investment resources.
- (b) Serve as a support tool for the decentralization process.
- (c) Foster an integrated approach to the planning and resource allocation processes.
- (d) Facilitate measurement of the potential and actual demand for investment resources at the different levels and in the different sectors.
- (e) Coordinate the investment budgets of the sectoral institutions with investment by the territorial institutions.
- (f) Foster an integrated approach to the micro- and macroeconomic aspects of public investment management.

1.3 Structure and Components

To achieve the above objectives, Projects Banks are structured around the project cycle. This cycle may be divided into stages (preinvestment, investment, operation), and these in turn into phases (idea, profile, prefeasibility, feasibility, design, implementation, start-up and full operation).

As the project progresses through its cycle, the Projects Bank records in systematized form all data relevant to the taking of decisions. For this purpose, files are created to gather the data generated at the preinvestment and investment stages.

However, the successful operation of a Projects Bank demands much more than files and computers. Several additional components are needed if the above objectives are to be achieved.

Article 31 of the New Organic Budget Law (NEOP) states that the Annual Operating Investment Plan (POAI) may not include projects not recorded in the Projects Bank (the BPIN). In its Article 32, it defines the BPIN as "a set of activities selected as viable, already appraised from the social, technical and economic standpoints and recorded and systematized at DNP."

This simple-looking definition in fact implies that the Projects Bank needs several additional components that are basic

requirements for a system of this type. In the first place, the term "set of activities selected as viable" implies the existence of tools, criteria, rules and procedures to decide which activities can be deemed "viable." This in turn requires the existence of an institution responsible for generating such tools, criteria, rules and procedures.

Article 32 then states that such activities must have been "already appraised from the social, technical and economic standpoint." This means that there must be procedures for the technical formulation of the projects and methodologies for their social and economic appraisal. Such methodologies are obviously not self-sufficient, since they require the presence at all levels of staff trained in their application.

Article 32 ends by stating that such activities must be "recorded and systematized at DNP." This calls for an information system capable not only of "recording and systematizing" information, but also of guaranteeing that such information actually reaches DNP in the first place. The information system consequently needs to cover all institutions at the central and territorial government levels that are participating in the process of investing National Budget resources.

Thus, in a single phrase, the New Budget Law highlights all of the BPIN's components, namely:

- Institutional component.
- Procedures component.
- Methodological component.
- Training component.
- Systems and data processing component.

Following is a brief description of each component.

- (a) Institutional component: This refers to the institutional structure into which the BPIN is to fit. It will be necessary to identify which institutions will be responsible for management of the system, which ones will be direct users, and which ones indirect users.

Indirect users will be those institutions which, without having direct access to the databases, will supply information to those databases on forms supplied by the system or use information from the BPIN in the form of listings or reports. Direct users will be those institutions with direct access to the system's databases. Lastly, the institutions managing the BPIN

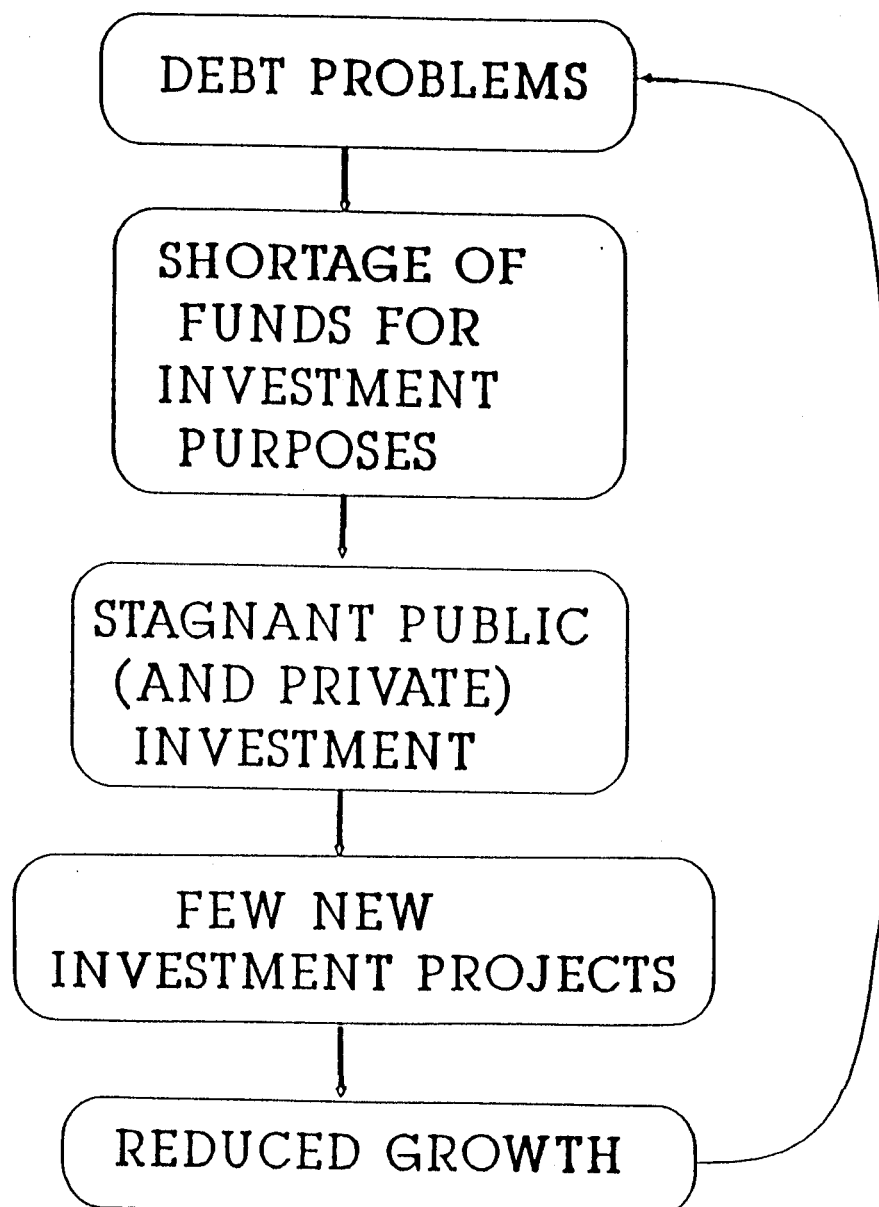
will be those that establish the system's procedures, specify the methodologies and parameters to be used, and develop training programs related to the BPIN. This function was assigned by Law 38 of 1989 to DNP and to FONADE (Article 32).

- (b) Procedures component: This refers to the design of the information flows that will ensure that the data recorded at the BPIN are duly updated and cover the entire field of public investment in Colombia. This design must specify who is to send information, what information, to whom, and how regularly or on what dates.
- (c) Methodological component: This refers to the development of methodologies guaranteeing the generation, quality and homogeneity of the information recorded by the BPIN. Such methodologies must consequently be established for the identification, formulation, evaluation and monitoring of projects for the entire range of public sector investment projects.
- (d) Systems component: This comprises computers, databases, operating programs and manuals, all factors contributing to ease management of the large volume of information recorded and process by the Projects Bank. The aim of this component is to relieve the planning agencies of the tedious work of managing information, enabling them instead to have easy access to this information for use in carrying out their assigned tasks.
- (e) Training component: Probably the most important component of a Projects Bank. This is because the entire running of the system depends on operators who will generate, record, process and interpret the information, using the methodologies and systems described above. Training should therefore cover preinvestment, project management, and data processing.

COLOMBIA'S PROJECT DATA BANK

(BANCO DE PROYECTOS DE INVERSION NACIONAL)

ALL COUNTRIES IN THE REGION
HAVE EXPERIENCED ECONOMIC DIFFICULTIES
IN THE PAST DECADE DUE TO MANY FACTORS:



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COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)

THE GROWTH PROBLEMS ARE, OF COURSE,
DUE TO MANY OTHER FACTORS

BUT IT IS USEFUL TO CONCENTRATE
ON THE INVESTMENT PROBLEMS
IN THE PUBLIC SECTOR

WITH LESS INVESTMENT FUNDS
IT SHOULD BE EXPECTED THAT
THE PROJECTS THAT ARE
UNDERTAKEN ARE VIABLE IN
ECONOMIC AND SOCIAL TERMS

THEIR CONTRIBUTION
TO GROWTH SHOULD BE
POSITIVE

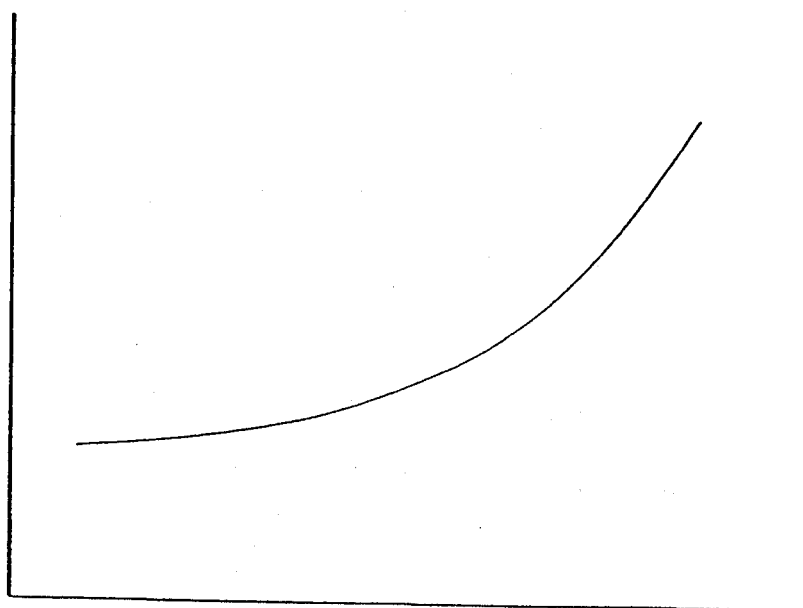
BUT, THIS IS NOT ALWAYS THE CASE

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COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)

THE RELATIONSHIP BETWEEN
GROWTH AND PUBLIC INVESTMENT
SHOULD BE POSITIVE

**% PUBLIC INVESTMENT /
GROSS NATIONAL PRODUCT**



**GROSS NATIONAL PRODUCT
GROWTH**

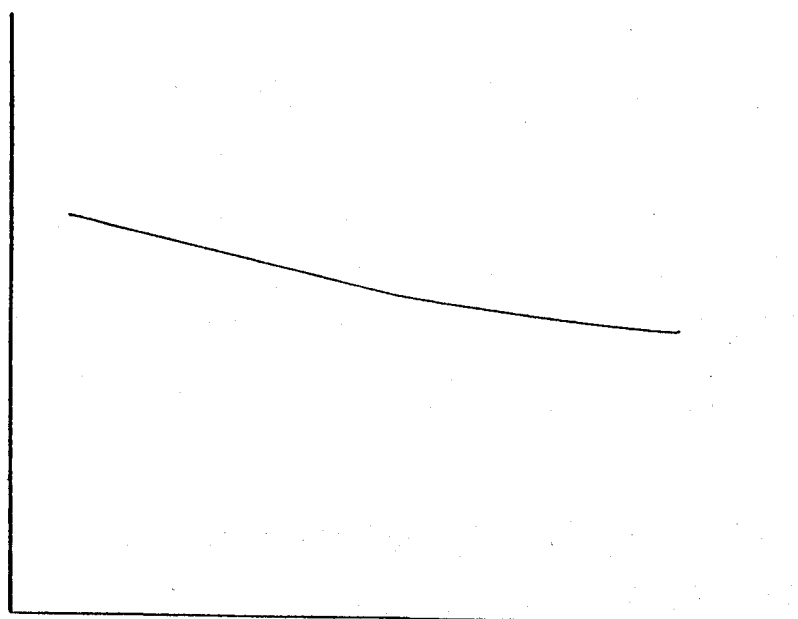
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COLOMBIA'S PROJECT DATA BANK

(BANCO DE PROYECTOS DE INVERSION NACIONAL)

THE REAL SITUATION
IS DIFFERENT:

% PUBLIC INVESTMENT /
GROSS NATIONAL PRODUCT



GROSS NATIONAL PRODUCT
GROWTH

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COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)

APART FROM THE MANY
MACROECONOMIC AND POLICY REASONS
THAT CAUSE THIS SITUATION

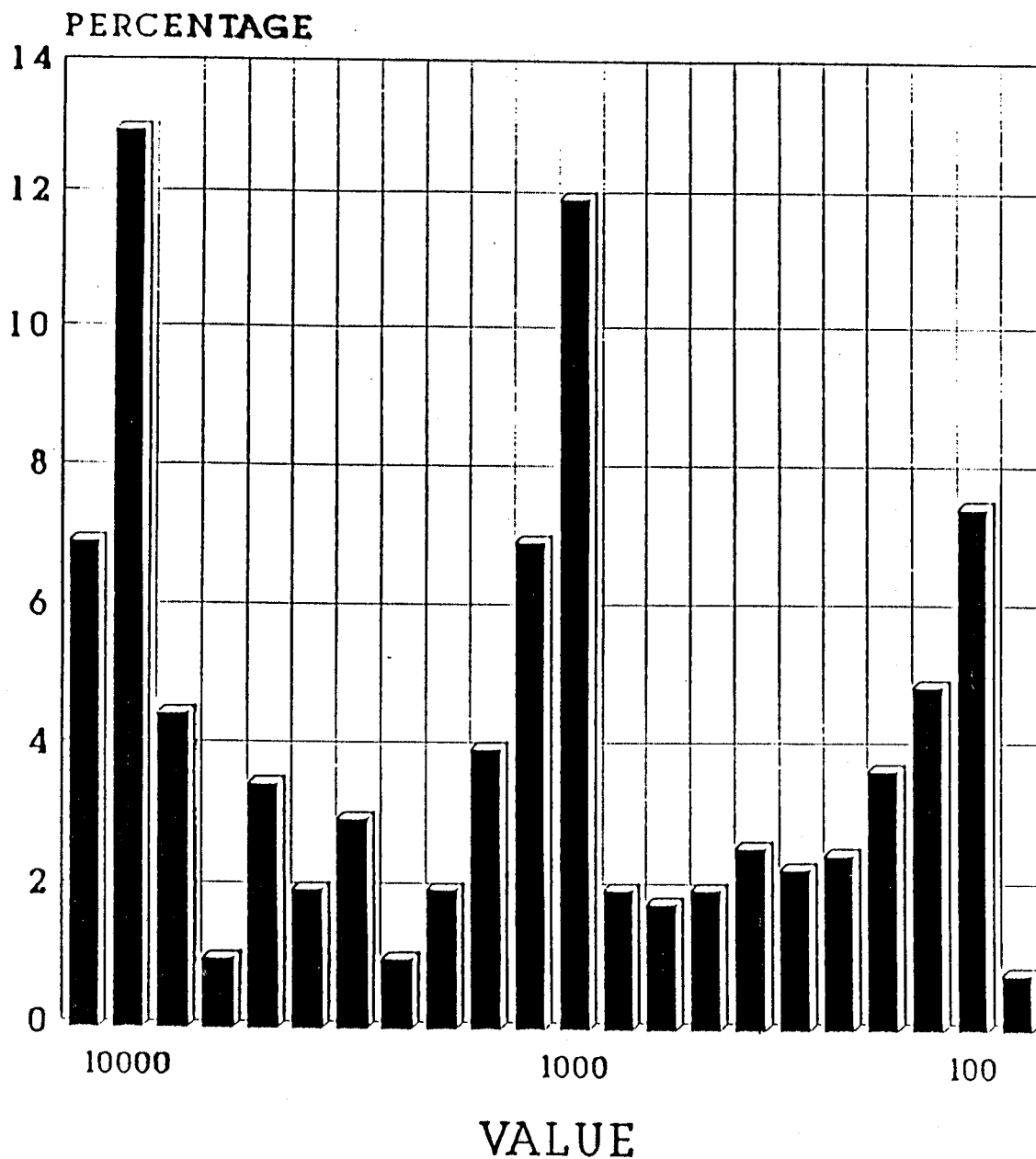
WE WILL CONCENTRATE
ON THE MICROECONOMIC
AND BUDGETARY REASONS

THE COLOMBIAN INVESTMENT BUDGET
HAS BEEN IN THE PAST A PROCESS
IN WHICH THE FUNDS WHICH WERE
ALLOCATED DID NOT, NECESSARILY,
HAVE A DIRECT RELATIONSHIP
WITH SPECIFIC PROJECTS

THIS CAN BE REPRESENTED
IN THE FOLLOWING GRAPHS

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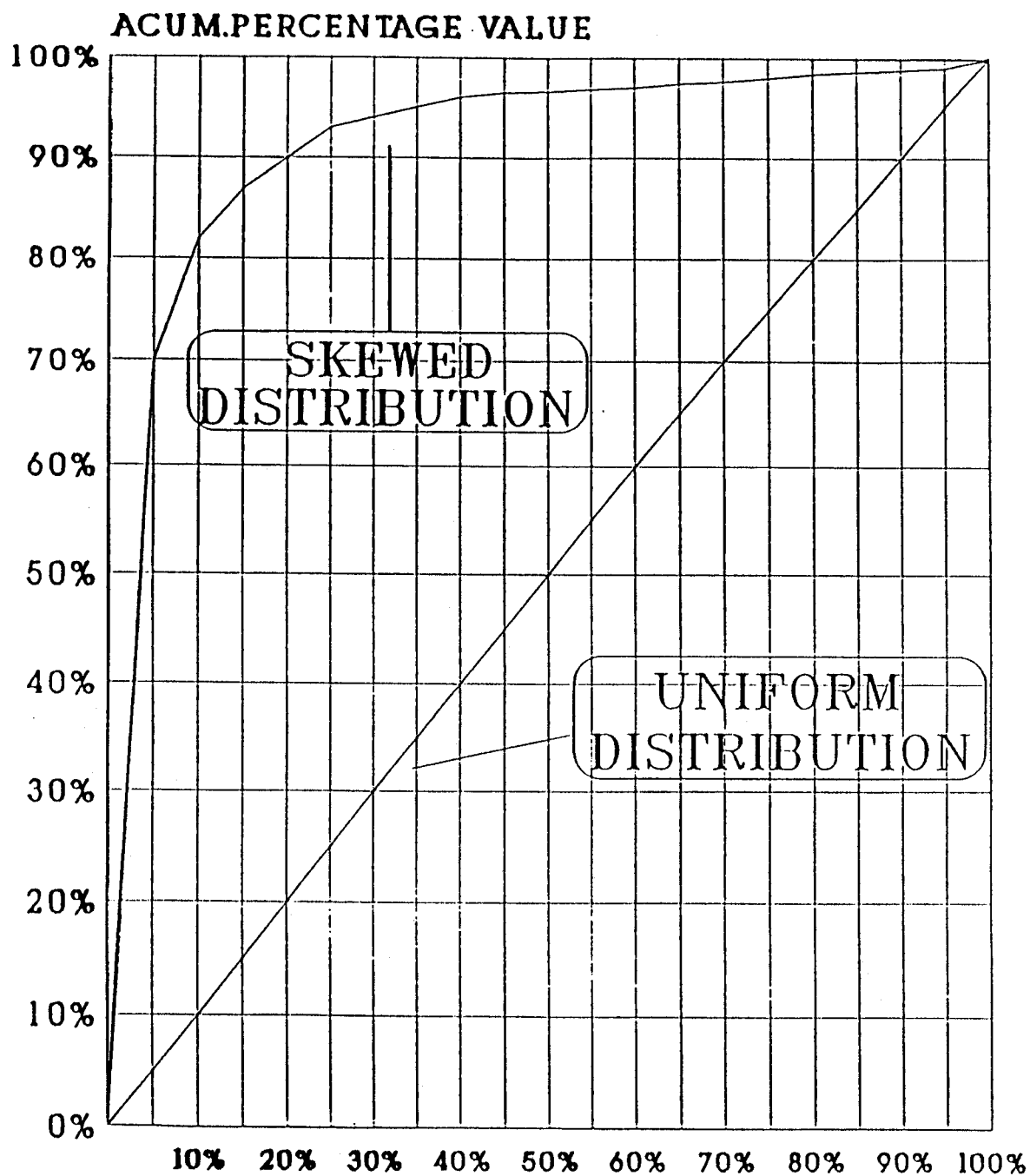
COLOMBIA'S PROJECT DATA BANK



VALUE

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COLOMBIA'S PROJECT DATA BANK



D:/HG/PRESJAM/INTRO7

COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)

THE PREVIOUS ANALYSIS SUGGESTS
THAT PROJECT APPRAISAL TECHNIQUES
HAVE TO BE INCORPORATED INTO THE
BUDGETARY PROCESS

THIS WAS DONE IN 1989 AND IN 1990
WITH THE SIGNING OF THE NEW BUDGET LAW

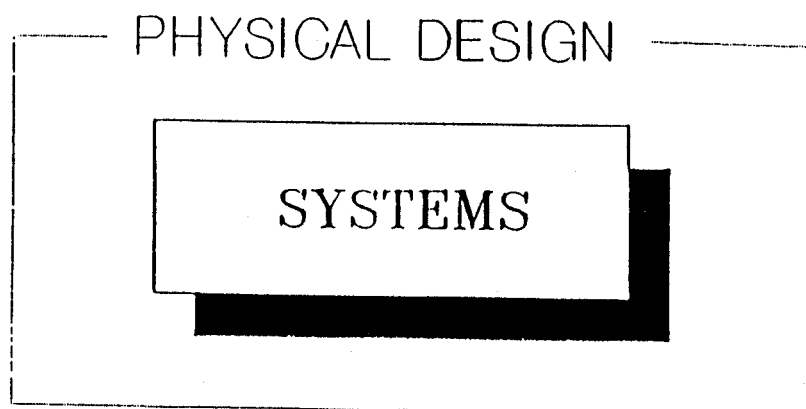
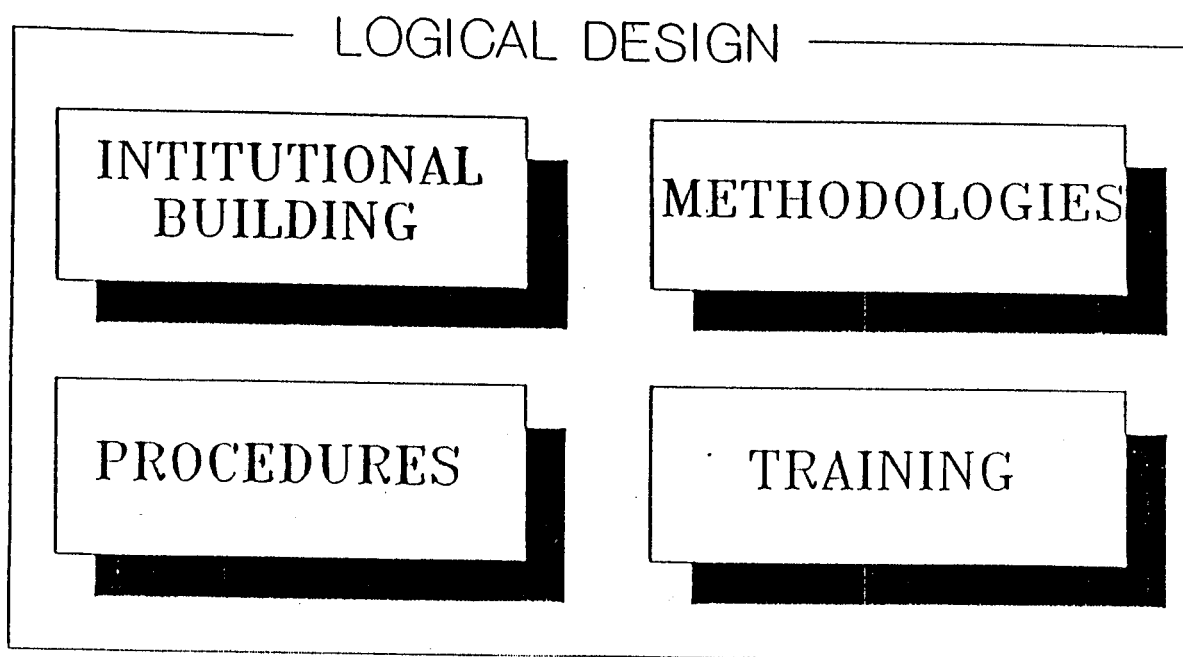
BUT THIS IS WISHFUL THINKING
IF IT IS NOT IMPLEMENTED

THIS IS BEING DONE
BY THE GOVERNMENT THROUGH
A TECHNICAL COOPERATION CREDIT OF THE
INTERAMERICAN DEVELOPMENT BANK
WHICH IS EXECUTED BY I L P E S

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COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)

COMPONENTS
OF THE PROJECT
DATA BANK



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COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)

INSTITUTIONAL
BUILDING
COMPONENT

COLOMBIA'S NATIONAL PROJECT DATA BANK
IS ADMINISTERED BY THE
NATIONAL PLANNING DEPARTMENT

ITS COVERAGE INCLUDES ALL
PROJECTS THAT RECEIVE
FUNDS FROM THE NATIONAL BUDGET

THE NATIONAL PROJECT DATA BANK
IS A PART OF THE NETWORK
OF PROJECT DATA BANKS

AT THE REGIONAL LEVEL

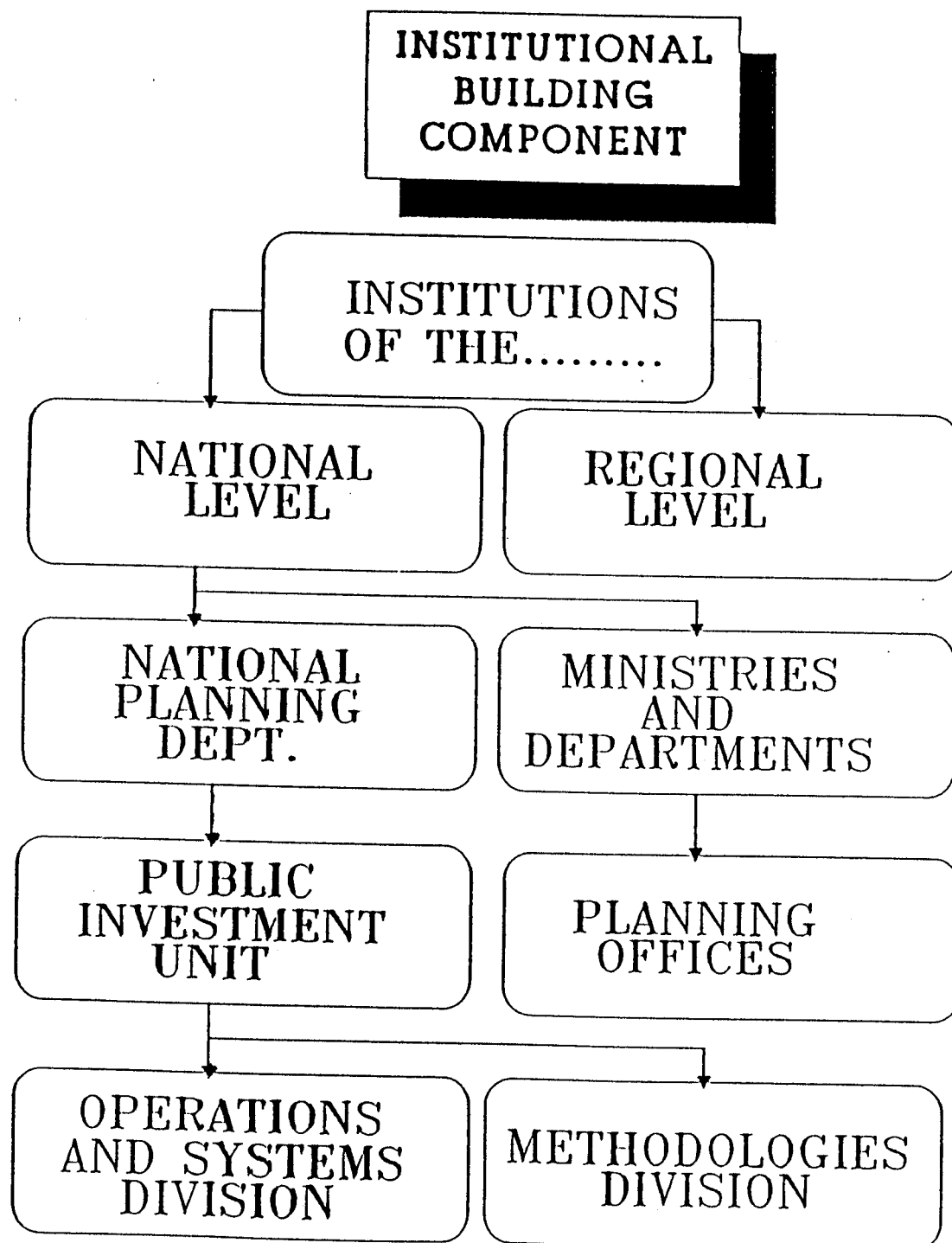
AT THE STATE LEVEL

AT THE MUNICIPAL LEVEL

THE FOLLOWING CHARTS SHOW THE LEVELS
AT WHICH THE PROJECT HAS HAD AN EFFECT
WITH THE CREATION OF WORKING GROUPS
AND THE STRENGTHENING OF PLANNING OFFICES

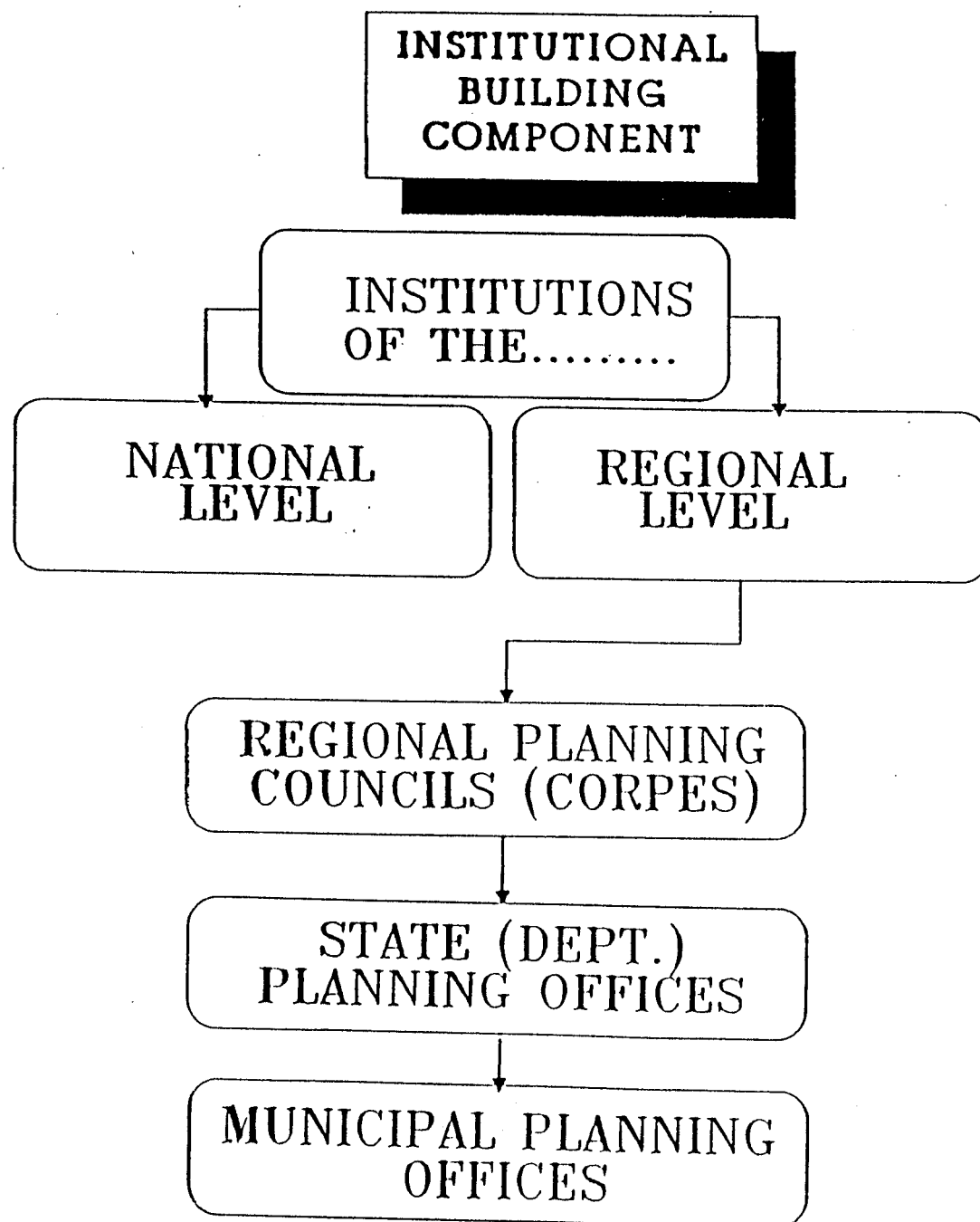
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COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)



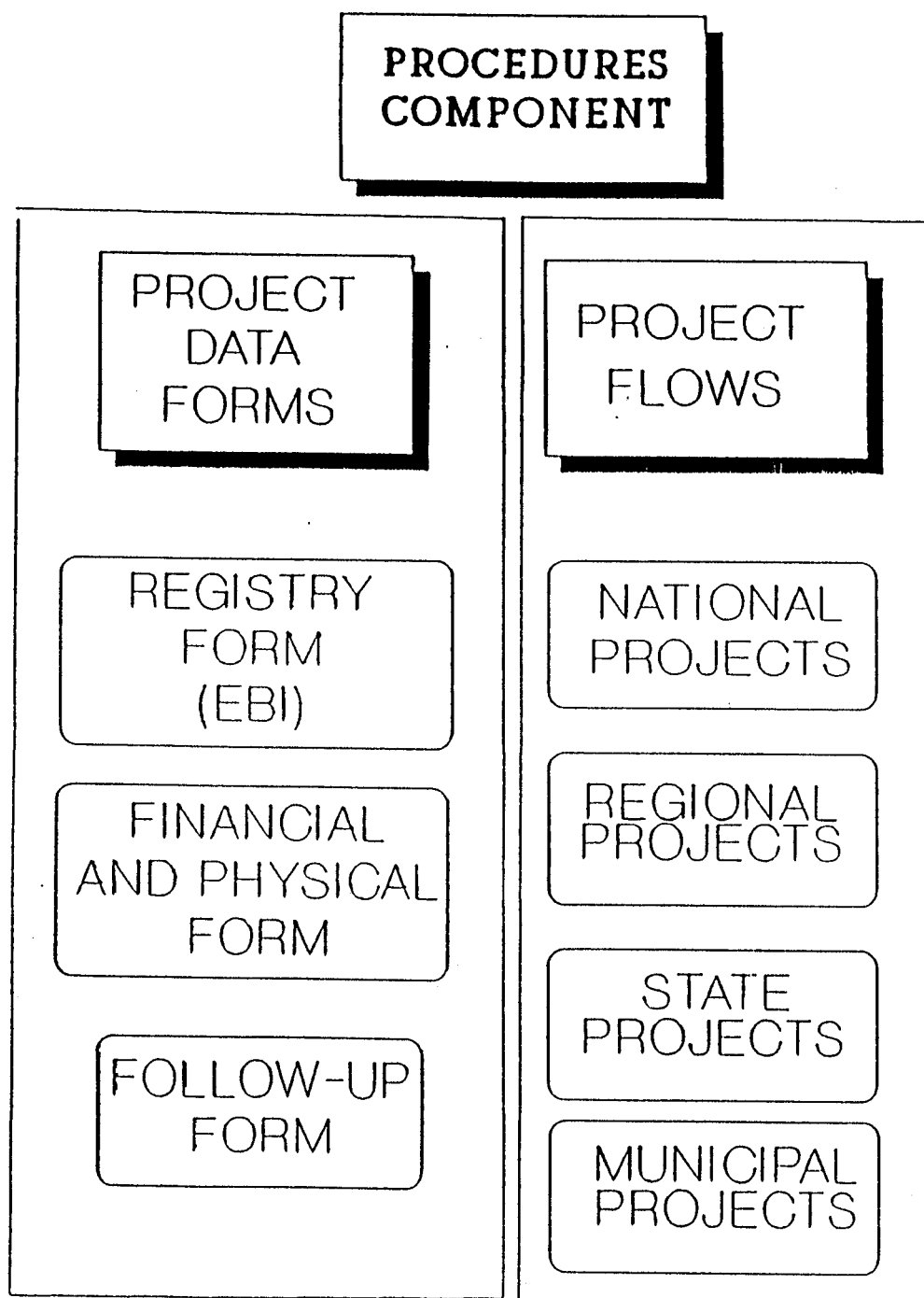
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COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)



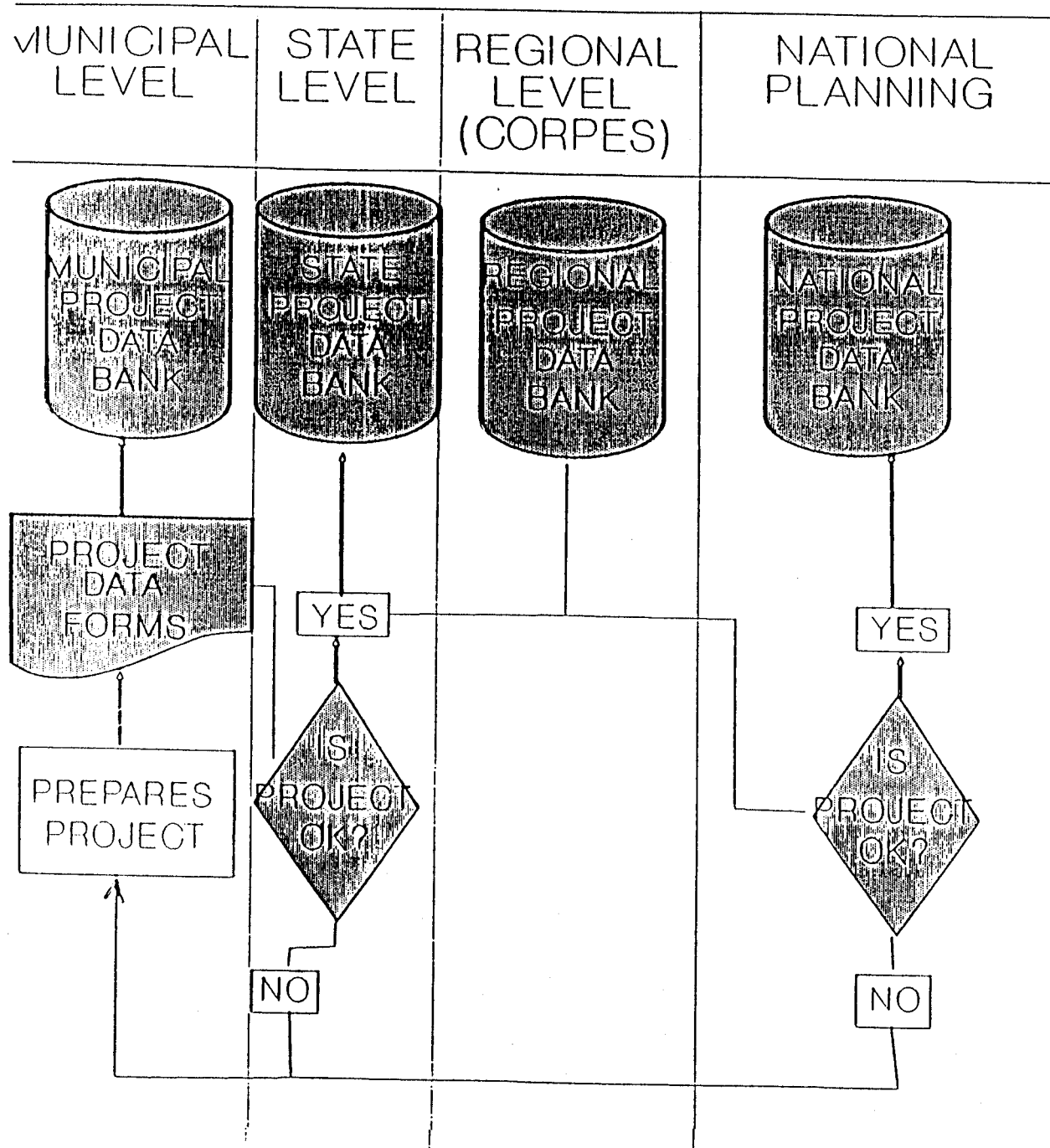
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**COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)**



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COLOMBIA'S PROJECT DATA BANK (BANCO DE PROYECTOS DE INVERSION NACIONAL)

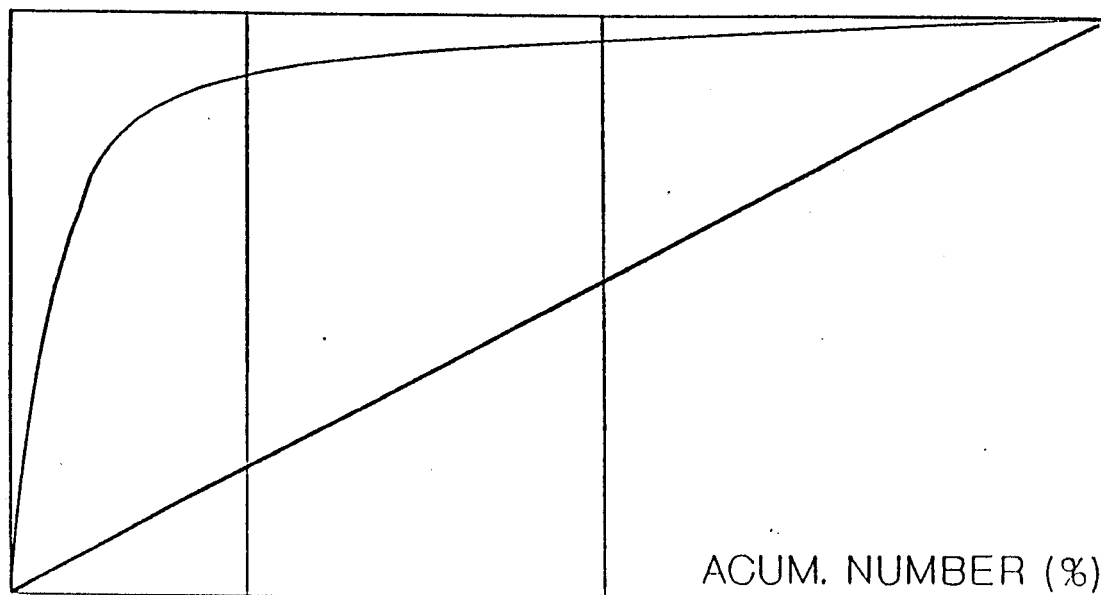


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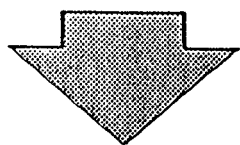
**COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)**

**METHODOLOGIES
COMPONENT**

ACUM.% OF VALUE



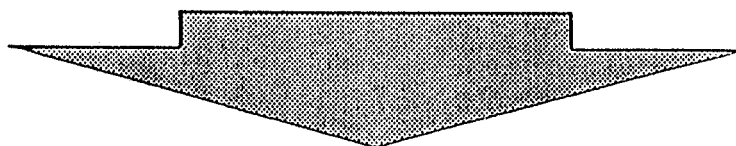
LARGE
PROJECTS



COMPLETE
COST -
BENEFIT
ANALYSIS

FEW LARGE
PROJECTS

MEDIUM
SIZE
PROJECTS



SIMPLIFIED COST-BENEFIT
ANALYSIS (EFFICIENCY COST
CONSIDERATIONS)

LARGE NUMBER OF SMALL PROJECTS

D:/HG/PRESJAM/MET1 .

COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)

METHODOLOGIES
COMPONENT

FOR SMALL SCALE PROJECTS
A SIMPLIFIED APPROACH IS NEEDED
DUE TO:

- LACK OF A COST-BENEFIT "CULTURE"
- LOW LEVEL OF TRAINED PROFESSIONALS IN THE PUBLIC SECTOR, SPECIFICALLY AT THE LOCAL LEVEL WHERE MOST OF THESE PROJECTS COME FROM.
- DIFFICULTIES IN THE MEASUREMENT OF BENEFITS IN SMALL SCALE PROJECTS

THEIR MAIN CHARACTERISTICS ARE
ILLUSTRATED THROUGH AN EXAMPLE

D:/HG/PRESJAM/MET2.

COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)

METHODOLOGIES
COMPONENT

A SMALL WATER SUPPLY SYSTEM
IS NORMALLY APPRAISED COMPARING
COSTS AND BENEFITS IN THEIR
PRESENT VALUE TERMS

IF $NPV (B-C) > 0$ ACCEPT THE PROJECT

IF $NPV (B-C) < 0$ REJECT THE PROJECT

IN ORDER TO ESTIMATE COSTS ACCURATELY
AN ENGINEERING STUDY IS NEEDED

IN ORDER TO ESTIMATE BENEFITS
A DEMAND CURVE IS NEEDED:

- POINT ESTIMATE OF CONSUMPTION WITHOUT
THE PROJECT
- POINT ESTIMATE OF CONSUMPTION WITH
THE PROJECT
- ELASTICITY OF DEMAND
- TIME PROJECTIONS OF WATER DEMAND
IN THE FUTURE



COSTLY WATER
DEMAND SURVEYS

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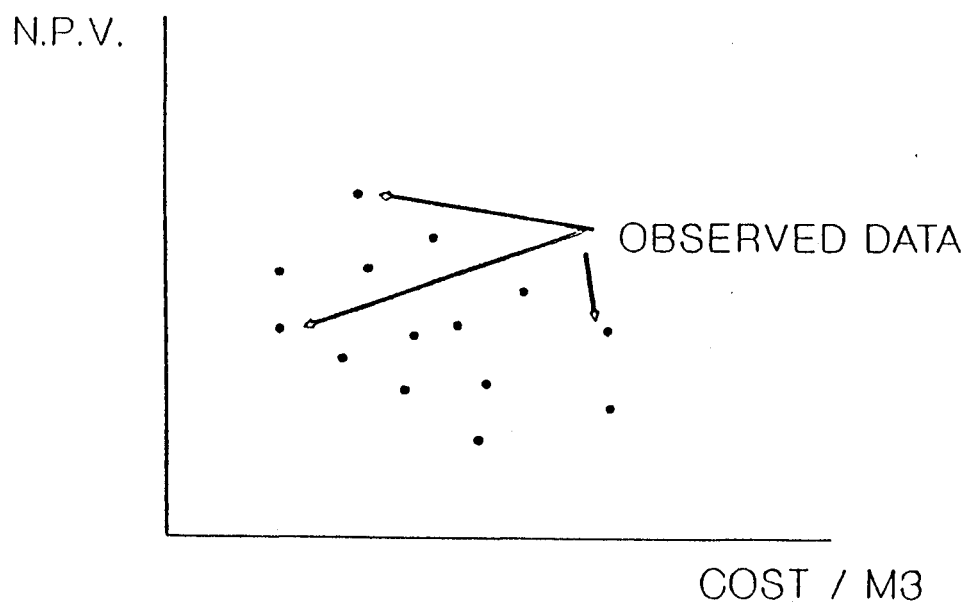
COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)

METHODOLOGIES
COMPONENT

FOR SMALL PROJECTS A SIMPLIFIED APPROACH
CAN BE TAKEN:

STEPS (WATER SUPPLY HYPOTHETICAL EXAMPLE):

1. A REPRESENTATIVE SAMPLE OF WATER SUPPLY
PROJECTS IS CONSTRUCTED
2. FOR EACH PROJECT IN THE SAMPLE
A COMPLETE COST BENEFIT ANALYSIS
IS UNDERTAKEN: FOR EACH PROJECT
WE WILL HAVE NPV AND COST INDICATORS



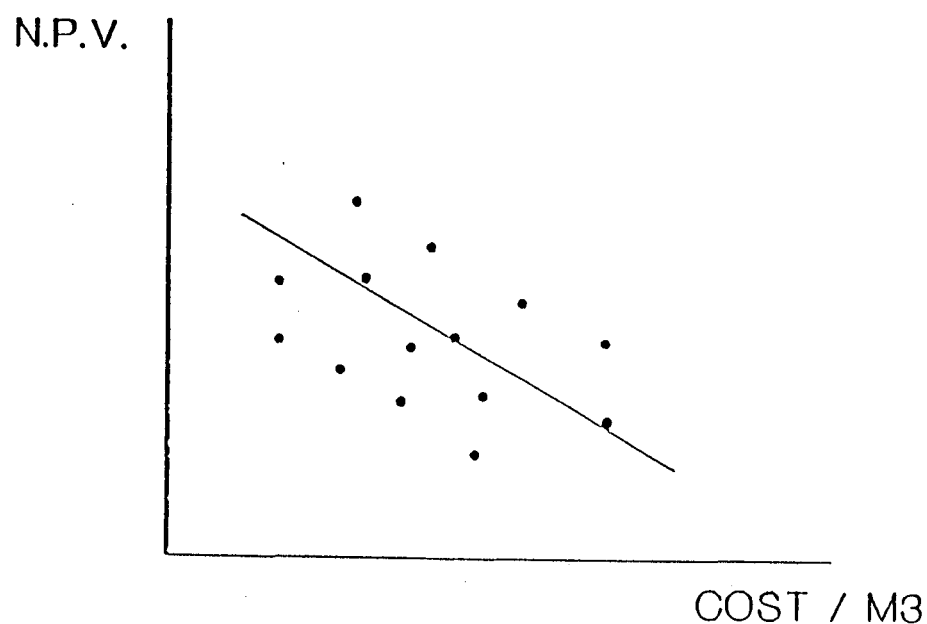
COST / M3

D:/HG/PRESJAM/MET4.

COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)

METHODOLOGIES
COMPONENT

3. WE ESTIMATE A FUNCTION RELATING
NPV TO COST PER CUBIC METER

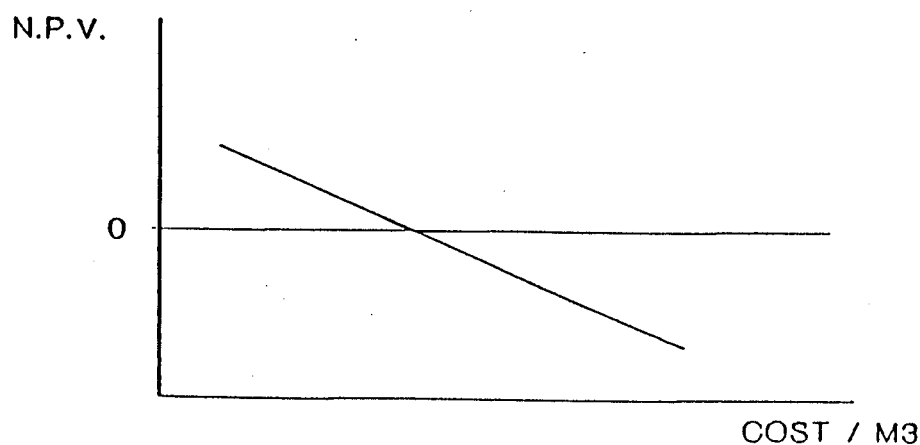


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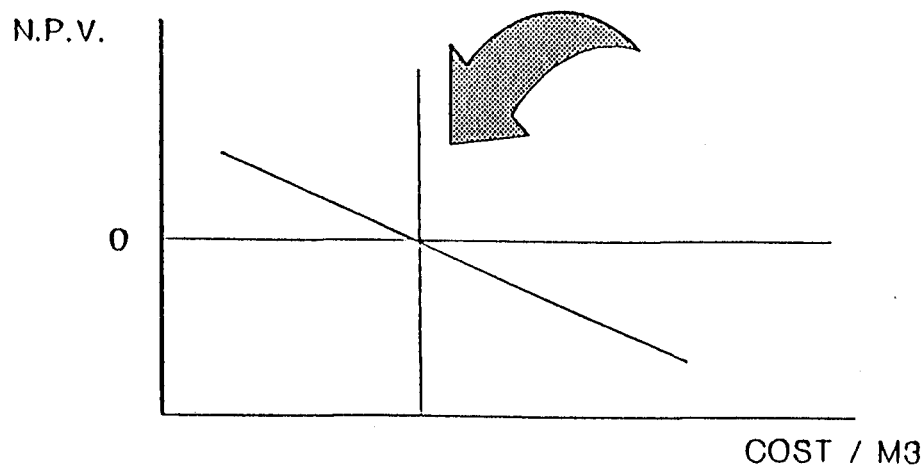
COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)

**METHODOLOGIES
 COMPONENT**

4. SOME DATA HAVE A POSITIVE NPV
 OTHERS DON'T



5. ACCORDING TO THE FUNCTION A $NPV=0$
 CORRESPONDS TO A COST/M3 POINT

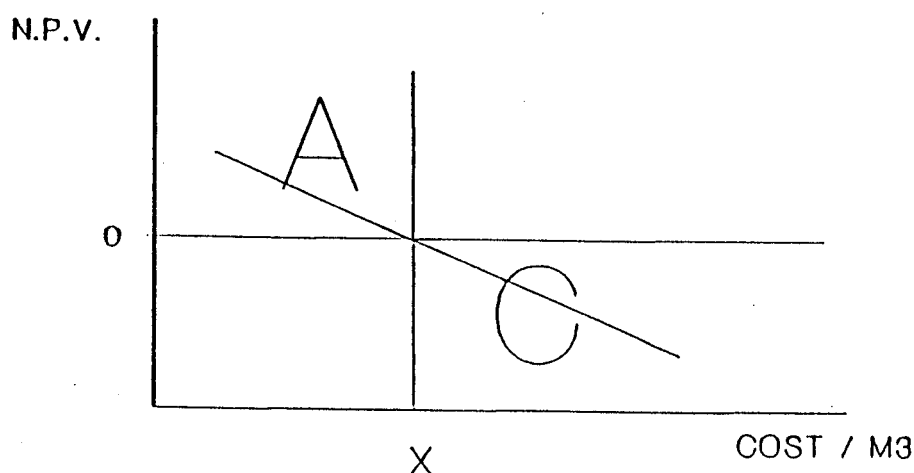


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COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)

METHODOLOGIES
COMPONENT

6. IT CAN BE SEEN THAT A $NPV = 0$
CORRESPONDS A $COST/M3 = X$

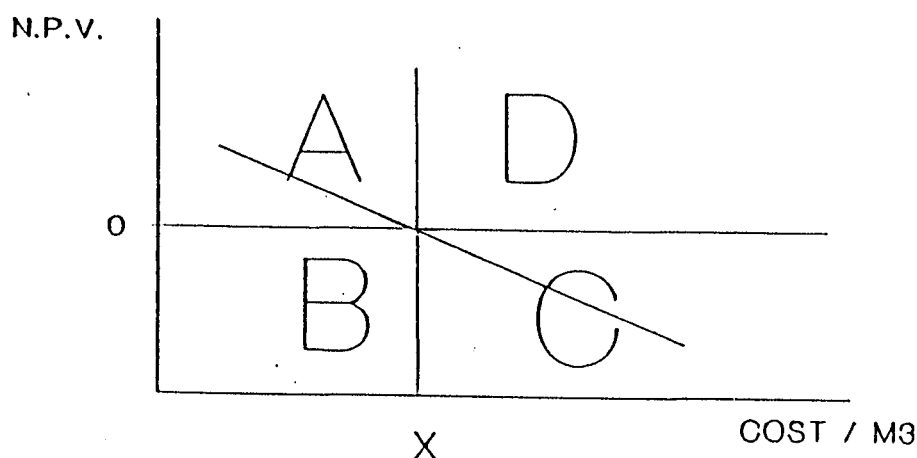


7. SO ACORDING TO THE FUNCTION
ALL PROJECTS WITH A $COST < X$
WILL HAVE A POSITIVE NET PRESENT
VALUE (AREA A) AND SHOULD BE ACCEPTED
8. SIMILARLY FOR A COST GREATER THAN X
WE PREDICT A NEGATIVE NPV (AREA C)

D:/HG/PRESJAM/MET7

COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)

METHODOLOGIES
COMPONENT



9. A PROJECT THAT LIES IN AREA B WILL BE ACCEPTED, BUT NORMALLY WOULD HAVE A NEGATIVE NPV.

10. A PROJECT THAT LIES IN AREA D WILL BE REJECTED, BUT NORMALLY WOULD HAVE A POSITIVE NPV.

THESE PROJECTS, IN ORDER TO BE ACCEPTED SHOULD UNDERGO A FULL COST - BENEFIT ANALYSIS.

11. ALL WE WILL NEED TO KNOW IS THE INFORMATION ON COSTS FOR EACH PROJECT

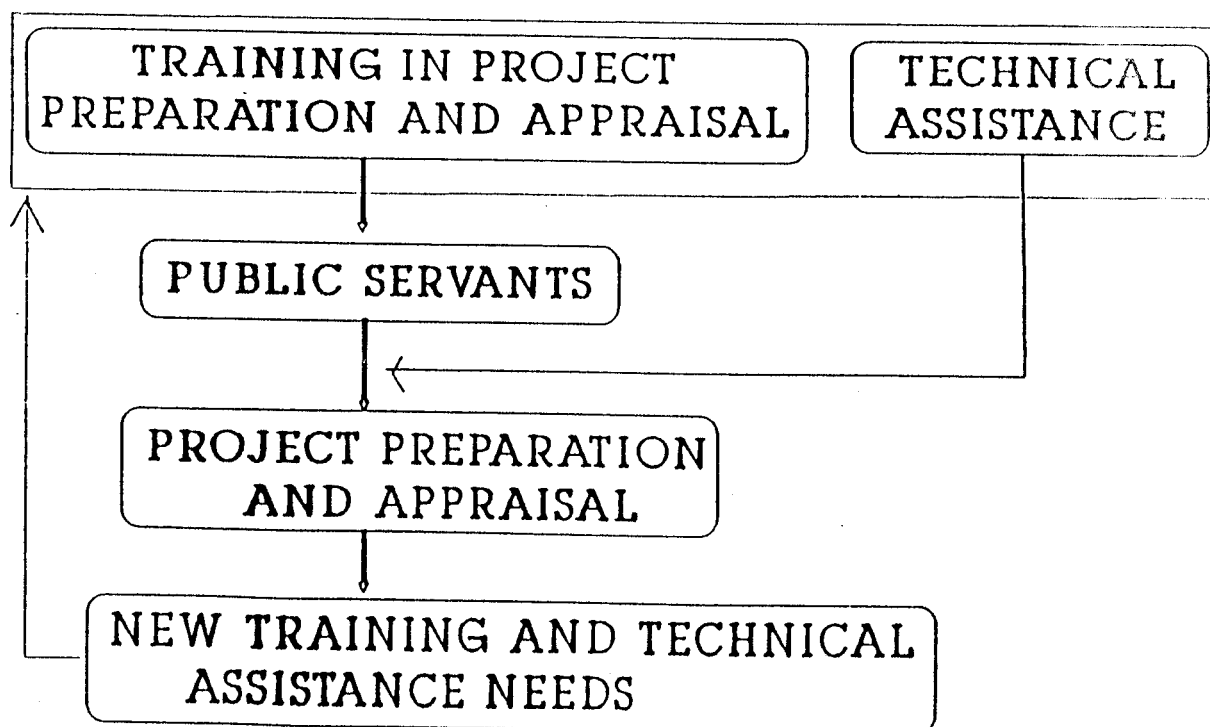
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**COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)**

**TRAINING AND TECHNICAL ASSISTANCE
COMPONENT**

AN INFORMATION SYSTEM SUCH AS
THE PROJECT DATA BANK IS AN
EMPTY SYSTEM IF NO TRAINING
UNDERTAKEN

ONCE TRAINING IS GIVEN TO PUBLIC
FUNCTIONARIES, THERE HAS TO BE
A FOLLOW-UP OF THAT TRAINING:
THERE IS A NEED FOR A
TECHNICAL ASSISTANCE PROGRAM



D:/HG/PRESJAM/CAPA1

COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)

TRAINING AND TECHNICAL ASSISTANCE
COMPONENT

THE TRAINING PROGRAM COVERS THREE LEVELS:

- ADVANCED
- INTERMEDIATE
- BASIC

AT THE ADVANCED LEVEL TRAINING
IS GIVEN THROUGH THE ESTABLISHMENT
OF GRADUATE LEVEL PROGRAMS
OR USING ESTABLISHED PROGRAMS

AT THE INTERMEDIATE LEVEL TRAINING
IS GIVEN DIRECTLY BY THE PROJECT'S PERSONNEL
IN TRAINING OF TRAINEES COURSES AND
1-2 WEEK SEMINARS

AT THE BASIC LEVEL THE TRAINING IS UNDERTAK
BY THE PUBLIC SERVANTS AND THE UNIVERSITY
TEACHERS THAT HAVE ATTENDED OUR COURSES

THE QUANTITATIVE RESULTS CAN BE SEEN
IN THE FOLLOWING DIAGRAM

D:/HG/PRESJAM/CAPA2

**COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)**

**TRAINING AND TECHNICAL ASSISTANCE
COMPONENT**

	UNIV.	SEMINARS	TRAINING OF TRAINEES	TOTAL
ADVANCED LEVEL	2 ONE YEAR COURSES (80)			(80)
INTERM. LEVEL		7 SEMINARS (245)	4 TRAINING COURSES (140)	(385)
BASIC LEVEL	ATLANTIC REGION 14 SEMINARS (350)	CENTRAL REGION 12 SEMINARS (300)	OTHER REGIONS 14 SEMINARS (350)	(1050)
TOTAL	(80)	(245)	(1190)	(1515)

DERIVED BENEFITS: REGIONAL UNIVERSITIES
HAVE ADOPTED THE PDB METHODOLOGIES

D:/HG/PRESJAM/CAPA3

COLOMBIA'S PROJECT DATA BANK
(BANCO DE PROYECTOS DE INVERSION NACIONAL)

SYSTEMS
COMPONENT

HARDWARE: LOCAL AREA NETWORK
AT THE NATIONAL PLANNING
DEPARTMENT

MICROCOMPUTERS AT SECTIONAL
MINISTRIES, REGIONAL
PLANNING COUNCILS AND
STATE PLANNING OFFICES

COMMUNICATIONS THROUGH MODEM

SOFTWARE: DEVELOPED IN DBASE LANGUAGE
(FOXPRO) INCLUDES
REGISTRY FORMS
COMMUNICATIONS SOFTWARE
BUDGET PREPARATION SOFTWARE

SPREADSHEET PROGRAMS FOR
PROJECT APPRAISAL

D:/HG/PRESJAM/SISTI

MAIN RESULTS AND CONCLUSIONS

1. Institutional Framework

The PDB was developed and implemented in a general setting in which there has been:

- general commitment to change
- general budget reform
- decentralization

2. The capacity building was done "from within" i.e., it was seen as necessary by the government, not as imposed by outside agencies.

3. Close links have been developed with other capacity-building projects such as the Municipal Institutional Development Plan.

4. There are over 7 000 registered projects.

5. Over 1 500 public servants have been trained in coordination with universities.

6. Over 10 simple appraisal methodologies.

7. In my personal view, all these results cannot be achieved if the following conditions are not met:

MACRO (outside the project itself)

- rethinking the public sector role, i.e., only in education and health - get out of productive activities and privatization.
- political and institutional local commitment
- getting the prices right - if the country has economy - wide distortions, the effectiveness of public investment will be diminished

MICRO - INSTITUTIONAL BUILDING AND TRAINING (other components are important but are technically feasible)

- A step-by-step approach - don't cover too much in a short period of time.

**RULES AND PROCEDURES FOR PUBLIC INVESTMENT
PROJECTS IN COLOMBIA**

NATIONAL PLANNING DEPARTMENT

**Decree Number 841 of 1990
20 April 1990**

By which regulations are established under Act 38 of 1989, Code of the General Budget of the Nation, concerning the Investment Project Bank and other general matters.

THE PRESIDENT OF THE REPUBLIC OF COLOMBIA in exercise of his constitutional and legal powers, particularly those conferred upon him Article 120, paragraph three, of the political Constitution, and pursuant to Act 38 of 1989,

HEREBY DECREES:**CHAPTER I: COVERAGE AND DEFINITIONS**

Article 1. Coverage. The present decree establishes rules for the procedure to be followed in relation to all investment projects which may be financed or co-financed through resources from the General Budget of the Nation, whether through the Office of the Comptroller-General, the Office of the Attorney-General, the Registry Office, the Jurisdictional Branch, the Ministries, national Administrative Departments, Special Administrative Units, the National Police, government institutions of public order, Superintendencias, or Special Funds or Account Funds not having legal personality, or by means of specific transfers made through the investment budget of any of the above-mentioned bodies for projects executed by third parties, whether public or private.

The same procedure shall apply to investment projects put forward by third parties, whether public or private, which are financed through credits for which the Nation acts as guarantor.

Paragraph. By virtue of the fact that they do not form part of the Annual Operative Investment Plan, investment projects for regional support which are duly authorized by law and financed through resources from the Inter-Ministerial Compensation Fund established by article 70 of Act 38 of 1989 for cases deemed to be of exceptional urgency by the President of the Republic and the Council of Ministers shall be exempt from this procedure in so far as their inclusion in the General Budget of the Nation.

Upon their incorporation into the General Budget of the Nation, such projects shall be registered with the National

Investment Project Bank in order to permit their monitoring under the terms and condition established in chapter IV of this decree. To that end, they shall be evaluated in accordance with the methodologies set forth in the Operation and Methodology Manual of the National Investment Project Bank by the Technical Units of the National Planning Department which correspond to the type of activity dealt with by each project or entity.

Article 2. Investment Project. The term "investment project" means the series of actions which involves the use of resources, for which other projects are competing, to meet an identified need. Investment projects may belong to one of the following five categories:

- a) Projects which generate direct or indirect benefits in the form of goods or services;
- b) Projects which play a role in recovering the capacity to generate direct benefits, such as activities in respect of literacy, teaching other forms of training, nutrition, eradication of diseases, vaccination, and services for women, children or the elderly;
- c) Projects which generate neither direct nor indirect benefits, but which enable future projects to be identified. These consist of basic studies or research;
- d) Projects which play a role pertaining to credit as opposed to direct financing or transfers, whose purpose is to fund projects of the types covered in subparagraphs a), b) and c) of this article, during the one-year period of execution. For these projects, total amounts are approved, and it is the responsibility of the executing agency or entity to define the projects to be funded in this way.
- e) As an exception, items earmarked for the payment of guaranties backed by the Nation, in relation to loans granted to third parties which have been recovered, may be registered as investment projects, provided that such loans have been consummated prior to 31 December 1991.

Article 3. National Investment Project Bank. The National Investment Project Bank is a system of information which registers selected investment projects as being feasible, capable of being financed with resources from the General Budget of the Nation, previously appraised technically, economically and socially, and administered by the national Planning Department.

Pursuant to the provisions of this decree and article 32 of Act 38 of 1989, its functional operation shall be regulated by the National Planning Department and the National Development Project Fund through the issue of the Operation and Methodology Manual defined in article 5 of this decree.

Article 4. Delegation of Registration. Where it is deemed appropriate by the National Planning Department, for reasons of budgetary flexibility or administrative efficiency, the Department may delegate, by means of a resolution, the function of feasibility, appraisal and registration of investment projects to other sectoral or territorial agencies or entities, whether centralized or decentralized.

It is understood that projects so appraised and registered shall, for all intents and purposes, form part of the National Investment Project Bank.

Where the National Planning Department deems it advisable to withdraw the delegation of feasibility appraisal and registration, it may do so also by means of a resolution.

Article 5. Operation and Methodology Manual. The National Planning Department shall prepare an Operation and Methodology Manual for the National Investment Project Bank which will contain, without exception, all the methodologies and steps to be taken, together with all the necessary definitions, for the evaluation of investment projects, their technical, economic and social feasibility appraisal and their corresponding monitoring once they have been incorporated into the Decree in Settlement of the General Budget of the National, at the appropriate time.

This shall be done in such a way as to enable all agencies and entities, together with any hired consultants, to carry out an evaluation of the investment projects which are to be included in the National Investment Project Bank.

The Operation and Methodology Manual shall contain a precise definition of all the concepts to be used therein, or, as an exception, where it is deemed to be simpler and more practical, these concepts shall be defined precisely in specific, referenced texts.

Article 6. National Project Bank Network. The National Planning Department shall organize and co-ordinate a National Project Bank Network, to be composed of the investment project banks of the various territorial levels of the public sector, whether

centralized or decentralized, which meet the necessary requirements in order to participate.

For purpose of participating in the National Project Bank Network, departmental and municipal or district investment project banks, as well as State industrial and commercial enterprises, shall use information systems and evaluation and monitoring methodologies in their installations which are compatible with those of the National Investment Project Bank.

Where the National Planning Department has delegated the function of feasibility appraisal and registration to any of the administrative bodies which also have their own project banks, a distinction shall be drawn between the two, and in the case of the National Investment Project Bank, its administration shall be carried out in strict compliance with the provisions of the Operation and Methodology Manual.

CHAPTER II: ORIGIN AND EVALUATION OF PROJECTS

Article 7. Evaluation Concepts. All investment projects to be registered in the National Investment Project Bank shall be evaluated, inter alia, in the following respects:

- a) Technical Appraisal. This establishes the technical feasibility of executing a project and the type of works or physical infrastructure and staff required to do so;
- b) Economic Appraisal. This estimates the costs and benefits attributable to a project in order to determine whether its execution is appropriate, either independently or in relation to other investment projects under consideration;
- c) Social Appraisal. This corrects the estimates used in the economic appraisal and incorporates additional estimates figures, in order to determine the costs or benefits for the economy as a whole that would result from the execution of a project. It shall be applicable in cases covered by the Operation and Methodology Manual, as established therein.

Article 8. Origin of Projects. Projects to be registered in the National Investment Project Bank may be so registered at the initiative of any Ministry, National Administrative Department or any body assigned to or connected with one of the aforesaid, at the

initiative of any CORPES, Department, Intendancy, Commissary or Municipality, the Special District of Bogota, or by mandate of the Higher Council on Fiscal Policy (CONFIS).

These projects shall be evaluated by the agency or entity responsible for taking the initiative for submitting them to the Investment Project Bank, in accordance with the methodologies set forth in the Operation and Methodology Manual of the National Investment Project Bank.

Article 9. Return of Projects. The National Investment Project Bank, shall return by official letter, any project which does not satisfactorily meet the requirements established in this decree and in the Operation and Methodology Manual of the National Investment Project Bank.

Article 10. Technical Monitoring of Evaluation. Projects submitted for inclusion in the National Investment Project Bank shall be reviewed by an administrative entity other than the submitting entity in accordance with the order established in article 12 of this decree, for the sole purpose of technically monitoring the evaluation.

This entity may not refrain from processing investment projects from submitting entities for any reason whatsoever, whether on grounds of economic or political expedience or because the evaluation has shown that the project is not feasible.

Monitoring refers exclusively to the correct and complete utilization of the methodologies set forth in the Operation and Methodology Manual of the National Investment Project Bank.

Article 11. Technical Monitoring Procedure. The entity responsible for technical monitoring shall review the project at the end of one month and, if it is found to be in accordance with the methodologies, shall submit it to the National Investment Project Bank, either through the Technical Unit of the National Planning Department or through the agency or entity to which the function of feasibility appraisal and registration has been delegated, which shall have a period of one week to review it again, if it deems necessary, or to appraise the technical, economic and social feasibility, where necessary, of the investment project and proceed to register it if it is found to be feasible.

If the project is found to be not in accordance with the methodologies or to be unfeasible, the monitoring body, or the National Investment Project Bank, shall return the appraisal to the author, indicating at once all the errors or omissions in the

application of the methodologies set forth in the Operation and Methodology Manual of the National Investment Project Bank in order to avoid repeated returns of the project, or, where appropriate, explaining the reasons for which it was deemed to be unfeasible.

Paragraph 1. In the case of the advisory assistance in project evaluation referred to in articles 20 and 21 of this decree, where the entity acting as monitoring body is the same as the entity making the evaluation, technical monitoring shall be carried out directly within the said entity by an expert other than the one responsible for the evaluation. In such case, the expert making the evaluation shall submit it to the monitoring process himself, there being no need to return it to the monitoring process himself, there being no need to return it to the author of the initiative for subsequent submission. The same terms and conditions shall apply in this case.

Paragraph 2. Where an investment project has not been duly processed before the one-month period stipulated for prior technical monitoring has expired, the agency or entity which made the evaluation may submit the investment project directly to the Technical Unit or to the agency or entity to which the function of feasibility appraisal and registration has been delegated, indicating the reason for such direct submission.

This shall be done without prejudice to any disciplinary sanctions which may be applicable to the officials responsible for carrying out the monitoring process, in accordance with the provisions of article 41 of this decree.

Article 12. Monitoring Bodies. Monitoring or technical screening bodies shall be as follows:

- a) Projects originating in the Municipalities shall be reviewed by the Planning Offices of the Departments;
- b) Projects originating in the Departments, Intendancies and Commissariats shall be reviewed by the Technical Unit of the corresponding CORPES office;

The Administrative Department of Intendancies and Commissariats (DAINCO) shall provide technical and administrative support to those CORPES offices which so require in order to review projects originating in the Intendancies and Commissariats.

- c) Projects originating in subordinate or related entities shall be reviewed by the Planning Office, or the Office representing it, in the Ministry or National

Administrative Department to which they are assigned or connected;

- d) Projects originating in the Ministries, National Administrative Departments, CORPES, Comptroller-General of the Republic, the Office of the Attorney General of the Nation, the National Registry Office and the Special District of Bogota and in those departmental capitals selected by the National Planning Department by means of a resolution because of their size or the value of the projects submitted by them, shall be reviewed directly by the corresponding Technical Unit of the National Planning Department, or by its representative in the agency or entity to which the function of feasibility appraisal and registration has been delegated, where appropriate, without prior monitoring.

Paragraph. Where the function of feasibility appraisal and registration has been delegated to agencies or entities which normally play a role in prior technical monitoring, such monitoring shall be eliminated for those projects which are to be registered in the said agency or entity. The said agencies or entities shall, however, have a period of one week to carry out, where they deem necessary, the final review as stipulated in article 11 of this decree.

Article 13. Monitoring of Project Selection. In order to study the question of whether duplications exist in the definition and selection of investment projects, as soon as a project has been registered the official responsible for such registration shall submit, within one week, a copy of the BIS card referred to in article 22 of this decree to the following agencies and entities:

- a) To the CORPES offices and Departments, through the Regional Coordinators of the former and the heads of Planning Offices of the latter;
- b) To the Planning Office, or the office representing it, in the Administrative Department of Intendancies and Commissariats (DAINCO);
- c) To the Office of the National Development Projects Fund (FONADE) responsible for carrying out the procedure set forth in article 18 of this decree;
- d) To the Planning Offices, or their representatives, of sectoral agencies and entities related to the type of projects in question.

Article 14. Formalities for Monitoring Selection. Where projects which seek to meet the same needs are being considered, the Technical Unit or agency or entity to which the function of feasibility appraisal and registration has been delegated, and which has registered it, shall be so informed and, within one month, the bodies which initiated the two projects shall meet together in order to co-ordinate their actions, integrating and complementing their objectives.

If no agreement is reached, the Technical Unit of the National Planning Department or the agency or entity to which the function of feasibility appraisal and registration has been delegated shall decide which project shall have priority for incorporation in the Annual Operative Investment Plan, identifying the other or others with a special code as alternative projects.

Article 15. Departmental Monitoring. At the departmental level, such monitoring shall be carried out by the committees established under articles 22 to 25 of decree 1222 of 1986.

These Committees shall ensure that the same needs are not being covered by projects submitted by different Municipalities in their geographical areas or by these projects and other projects submitted by the Department.

The Departmental Planning Offices or the office representing them shall act as Technical and Administrative Secretariat of these Committees.

Article 16. Regional Monitoring. The function of institutional co-ordination shall be carried out in the CORPES offices by the Regional Technical Planning Committees established by article 5 of Act 76 of 1985, without prejudice to any other functions they may fulfil.

These committees shall ensure that the same needs are not being covered by projects submitted by different Departments, Intendancies and Commissariats in their geographic area, or by these projects and projects submitted by CORPES.

The Regional Coordinator of CORPES shall act as Technical and Administrative Secretariat of these committees for purposes of this article.

In order to carry out the work referred to in this article, the Administrative Department of Intendancies and Commissariats (DAINCO) shall provide technical and administrative support for the projects of Intendancies and Commissariats.

Article 17. Sectoral Monitoring. It shall be the responsibility of the Planning Offices of national sectoral agencies and entities, or the office representing them, to review the BIS cards for projects submitted by Municipalities, Departments and CORPES, in order to carry out the monitoring procedure set forth in article 13 of this decree.

Article 18. Monitoring of Preinvestment Projects. It shall be the responsibility of the National Development Projects Fund (FONADE) to check the BIS cards for all Projects which are at the preinvestment stage, in accordance with the classification set forth in article 26 of this decree, in order to carry out the monitoring procedure set forth in article 13 of the decree.

Article 19. Private Advisory Assistance. Sectoral and territorial agencies and entities that will be making evaluations of investment projects may receive advisory assistance for such purposes from natural or juridical persons which they deem to be suitable, under the Consultancy Contract referred to in articles 115 to 129 of Decree 222 of 1983, or by any regime that may have replaced it.

Article 20. Departmental Advisory Assistance. In order to provide technical assistance and physical resources to those municipalities which are unable to carry out the evaluation of their own projects or to engage appropriate consultancy services for such purposes, Departments may establish within their Planning Offices a service to assist in fulfilling this role.

In such case, the assistance shall be provided free of charge, and the implicit costs shall be covered by resources from the Department, while resources for specific cases may be requested from the Nation through the budget of one of the Nation that are related to this specific type of investment projects, or through credits granted by the National Development Projects Fund (FONADE).

The staff involved, in any case, shall form part of the permanent staff of the Department, unless there is a need to engage private consultative services.

Article 21. Advisory Assistance in the CORPES Offices. In cases where Departments cannot provide the technical assistance referred to in the previous article, for physical or financial reasons, such assistance may be provided by the CORPES office in the corresponding region.

In such cases, the CORPES office shall also provide assistance to the said Departments. In these cases, the Technical Unit of each CORPES office shall establish the corresponding service.

If such assistance is given, it shall be provided free of charge, and its costs of the CORPES office, which does not preclude applying for additional contributions from the national budget for this purpose through the budget of any of the agencies or entities included in the General Budget of the Nation related to this specific type of investment project, or through credits granted by the National Development Projects Fund (FONADE).

The staff involved, in any case, shall form part of the permanent staff of the CORPES office, unless there is a need to engage private consultancy services.

Paragraph. Where credits are requested from the national Development Projects Fund (FONADE) for the purposes set forth in articles 20 and 21 of this decree, the application must meet the terms and conditions set by FONADE for such purposes. FONADE shall in any case have the autonomous power to decide on the adjudication of the credits being requested of it.

CHAPTER III: OPERATION OF THE BANK

Article 22. BIS Card. For each investment project submitted to the National Investment Project Bank, the applicant shall prepare a synoptic card summarizing the main data of each project. This card shall be known as the Basic Investment Statistics (BIS) card, and shall include the basic information needed in order to identify the principal features of the project in question.

Article 23. Timeliness of Registration. Throughout the entire year, investment projects may be registered in the National Investment Project Bank. For purposes of discussion, in the Operational Budget Committees, of the investment projects to be included in the Annual Operative Investment Plan, only those which have been registered by no later than 1 February of the year prior to the year which is being programmed shall be taken into consideration.

Article 24. Updating of Projects. Once a year, in September, the National Investment Project Bank shall prepare a report on those projects for which more than two years have past since the date of their registration, and which have not been incorporated into the Decree in Settlement of the General Budget of the Nation. This report shall be submitted to the sectoral or territorial agency or entity which took the original initiative, so that it may decide which projects it would like to retain.

If a decision is made to retain a project, it shall be the responsibility of the corresponding agency or entity to update the estimates used in the initial evaluation, in accordance with the technical procedures established in the Operation and Methodology Manual of the National Investment project Bank in force at the time of the updating.

The agencies and entities referred to in this article shall submit the projects they would like to retain in the National Investment Project Bank, duly updated, in sufficient time for the latter to receive them by no later than 24 January, subject to the technical monitoring referred to in article 10 of this decree. Otherwise, these projects shall be withdrawn from the Bank, subject to verification that the information pertaining to them has been duly registered in the central file provided for in article 31 of this decree.

Article 25. Updating of the Manual. The operation and Methodology Manual of the National Investment Project Bank may be changed or modified only once a year, for re-issue in the last week of August of each year. The modified methodologies shall be used for investment projects to be submitted to the National Investment Project Bank as from 1 February of the following year.

Paragraph. Projects already registered using previous methodologies shall not be affected by the new methodologies, and the values that have resulted from their evaluation shall not be changed. However, where for any reason these projects are to be revised or updated, such revision or updating shall be carried out in accordance with the new methodologies in force at the time of registration of the revision or updating.

Article 26. Degrees of Evaluation. The Manual shall distinguish among different degrees of evaluation depending on the need which the project seeks to meet and the amount of the investment; these degrees shall be classified according to whether they are at the preinvestment or investment stage, or at the stage of actual execution of the project.

In order that it may be incorporated into the Annual Operative Investment Plan at the investment stage, the degree of evaluation of each project must be such that it studies alternatives and analyses comparative costs and benefits.

Article 27. Responsibility for Registration. The appropriate Technical Unit in the National Planning Department shall register an investment project when the technical, economic and social appraisals have been carried out completely and correctly, as provided for in the Operation and Methodology Manual of the National Investment Project Bank in force at the time of its submission, and the necessary support studies for each of these appraisals have been completed and the project is found to be feasible from these points of view.

The appraisal of a project as being economically and socially feasible, where appropriate, shall be accompanied by a statement of reasons.

Article 28. Registration of Preinvestment Projects. Investment projects which are registered at the preinvestment stage shall be registered in the National Investment Project Bank by the same authority that will be responsible in future for registration once the project has been defined, where the said authority deems it appropriate to carry out a feasibility study, and its formulation is in conformity with the methodologies established for this purpose in the Operation and Methodology Manual of the Project Bank.

The registration of the studies shall be accompanied by a statement of reasons.

Article 29. Statistical Monitoring of the Evaluation. It shall be the responsibility of the National Planning Department to establish procedures for the statistical selection of the projects registered in the Bank that will make it possible to monitor the correct use of the evaluation methodologies, depending on the source of the said evaluation.

Technical advisory assistance shall be offered to those agencies or entities which do not demonstrate the required technical capacity to make appropriate use of the methodologies by means of the mechanisms set forth in articles 20 and 21 of this decree, or directly by the National Planning Department, where appropriate.

Article 30. Access to the Project Bank. Direct access to the information system of the National Investment Project Bank shall be made available to the Secretariats of the Presidency of the Republic, the Technical Units of the National Planning Department, the Planning Offices, or the office representing them, of the Ministries, National Administrative Departments, national Public Institutions, CORPES, Departments, Intendancies and Commissariats, the office in charge of carrying out the monitoring provided for in article 18 of this decree in the National Development Projects Fund (FONADE), the General Office of the Higher Council on Fiscal Policy (CONFIS), together with its two advisors. This direct access shall make it possible only to request information which by its nature or by legal mandate is related to the area of activity of the office in question, not to enter or modify such information.

In order to register an investment project in the National Investment Project Bank, the National Planning Department shall assign a code to each of the officials authorized for this purpose, so that they can enter information into the system.

Article 31. Central File. The National Planning Department shall be responsible for the centralized filing of all studies and documents in support of the investment studies and projects registered in the National Project Investment Bank.

To this end, it may sue technical data storage systems and shall not be required to retain the original document.

This function may be contracted in whole or in part with other public agencies or entities which fulfil similar functions in respect of the technical filing of documents.

The official responsible for the said filing system shall certify that the information thus filed is a faithful copy of the original.

CHAPTER IV: PROJECT FOLLOW-UP

Article 32. Evaluation of Results. Evaluation of results, as established in article 77 of Act 38 of 1989 and article 63 of Decree 3077 of the same year, shall consist of the ongoing assessment by the National Investment Project Bank of investment projects which are totally or partially financed through the General Budget of the Nation, without exception, and of investment projects of persons not connected with this budget which have been ordered to be followed up by CONFIS, in exercise of the powers established in article 3 (c) of Decree 411 of 1990, in respect of the following matters, inter alia:

- a) Effective compliance with financial goals, one of these being efficiency in the implementation of the budget formalities in respect of the resources for the investment projects which are financed through the General Budget of the Nation. These formalities extend from the time of the inclusion of the resources in the Decree in Settlement of the General budget of the Nation to the time of the actual settlement of the obligations contracted by an entity with third parties in relation to a specific project.
- b) Effective compliance with the programmed physical goals, making it possible to detect and correct errors in the formulation and technical execution of the projects.
- c) Diligent inclusion of the operative budget items once the project has been put into operation, so that the project can fulfil its intended objectives.

Article 33. Adoption of Corrective Measures. Where the National Investment Project Bank detects obstacles, deficiencies, errors or administrative negligence in the execution of the investment projects, it shall inform the advisors of the Higher Council on Fiscal Policy (CONFIS) of this fact, recommending whatever measures it deems necessary.

It shall be the responsibility of the members of CONFIS to supervise the actual adoption of corrective measures that may be necessary to ensure the efficient execution of the investment projects which are being followed up the National Investment Project Bank.

Article 34. Follow-up Methodologies. The National Planning Department shall establish, in the Operation and Methodology Manual of the National Investment Project Bank, the methodologies to be used for the follow-up of projects and the schedule for submitting the information needed for such purposes.

The information to be submitted by the agencies and entities in accordance with these methodologies shall be obligatory in nature, with respect to both its content and the timeliness of its submission.

Non-compliance with the provisions established for this purpose shall empower the National Investment Project Bank to refrain from including investment projects submitted by the entities in question until the sending of such information has been regularized

Article 35. Information from the Ministry of Finance. The General Directorates of the Ministry of Finance and Public Credit shall punctually submit, under the terms and conditions set by the National Investment Project Bank, the information which the last-mentioned requests of them, collected and presented in the form required by the National Investment Project Bank for purposes of carrying out the evaluation of results.

Article 36. Follow-up by CORPES Offices. It shall be the responsibility of the CORPES offices to analyze the follow-up of investment projects to detect problems and obstacles that may arise from the regional, departmental or municipal standpoint, and to recommend appropriate corrective measures.

The CORPES offices shall collaborate in the development of follow-up methodologies and systems with the divisions of Methodologies, Operation and systems of the National investment Project Bank of the national Planning Department.

Article 37. Projects of Public Enterprises. Where the Higher Council on Fiscal Policy (CONFIS) orders a follow-up, by the National investment Project Bank, of any specific project being executed by a State industrial and commercial enterprise, a mixed-economy firm governed by the regime applicable to State industrial and commercial enterprises, or a private entity that administers public funds, such follow-up shall be carried out in accordance with the methodologies established in the Operation and Methodology Manual of the National Investment Project Bank.

CHAPTER V: GENERAL PROVISIONS

Article 38. Operational Budget Committees. A representative of each CORPES office may attend in his own right the meetings of the Operational Budget Committees at which the Annual Operative Investment Plan of each agency or entity is discussed and adopted. It shall be the responsibility of the National Planning Department to ensure that the CORPES offices are informed of the date, time and place of these meetings.

Article 39. Co-financing Items. The officials responsible for carrying out transfers for investment project which are only partially financed through resources from the General Budget of the Nation, or for processing the execution of these projects, shall proceed to do so only in relation to those projects which have the total financing required by third parties for the execution of the project as programmed for the entire project period.

If such resources are not available, the said officials shall be responsible for so advising the Office of the Budget, or the office representing it, of the agency or entity, so that the resources thus earmarked may be transferred to other investment projects. Such transfer is obligatory.

Article 40. Assessment of Budget Performance. The National Planning Department, on the basis of information provided by the Investment Project Bank, shall publish via the communications media, once a year in April, an assessment of the budget performance of the agencies and entities, ranking them in order of efficiency.

Article 41. Rate Setting. The Government, where it sets rates for providing a certain service, provided that these rates have been a determining factor in the economic or social feasibility appraisal of a project, shall take into account the levels of these rates at the time of the evaluation of the said project, in order to ensure, as far as possible, that there has been no change in the benefit-yield capacity of the project.

Article 42. Disciplinary Sanctions. If the officials responsible for the formalities established in this decree overstep the terms and conditions which are stipulated for this purpose, they shall be subject to the sanctions established in article 12 of Decree 2400 of 1968 and article 15 of Act 13 of 1984.

Article 43. Temporary Provisions. For purposes of programming for 1991, investment projects which have not been evaluated may be registered by filling out the Registration Card prepared by the National Investment Project Bank for this purpose, in accordance with the instructions accompanying it. If any of the projects so incorporated into the Bank would be in force for more than one fiscal period, it shall be evaluated and followed up as from the 1992 programming exercise.

The 1992 programming exercise shall be governed by the Operation and Methodology Manual of the National Investment Project Bank which is to be published no later than the last week of August 1990, as from the date of its publication. Thenceforth the provisions of article 25 of this decree shall apply.

Article 44. Derogation and Period of Force. The present decree shall remain in force as from the date of its publication and shall derogate all prior legal provisions of equal or lower rank which may be contrary to it or may broaden or restrict the scope of the administrative measures established therein.

LET IT BE KNOWN AND FULFILLED.

Done at Bogota, Special District, on 20 April 1990

MINISTER OF FINANCE AND PUBLIC CREDIT,

(Signed) LUIS FERNANDO ALARCON MANTILLA
HEAD OF THE NATIONAL PLANNING
DEPARTMENT

(Signed) LUIS BERNARDO FLOREZ ENCISO

CHILE**THE CHILEAN NATIONAL INVESTMENT SYSTEM AND
PROJECTS INTEGRATED BANK****María Teresa Hamuy ***

* Expert, Investment Department, Ministry of Planning and
 Cooperation (MIDEPLAN), Chile.

GENERAL PRESENTATION

The Ministry of Planning and Cooperation (MIDEPLAN) has been invited to participate in the EDI/ECLAC/ILPES Seminar on "Project Data Bank and Public Sector Investment Programming".

For this purpose, the present document has been prepared and structured as follows:

Part I describes the foundations, characteristics and procedures of the Public Investment Management process in Chile, and is called "National Investment System (S.N.I)".

Part II refers to the chilean experience in the process of designing developing and operating an information system called "Projects Integrated Bank (B.I.P.)", which acts as a support mechanism to the public investment process.

PART I

1. INTRODUCTION

The economic growth of a country depends not only on the extent of the investment made, but also and essentially, on the quality or profitability of that investment.

In this context, the implementation of investment initiatives is decided through a previous economic appraisal, and only those having greater social profitability are carried out.

All this is possible if the authority in charge of the decision making has timely information with respect to the real profitability of the projects and if the terms, conditions, mechanisms and procedures for an appropriate investment timing are created.

This process, the objective of which is to improve the decision making in public investment, is called National Investment System and it could be defined as: a transformation process of the investment ideas, from their identification to their operation, through the use of resources that add value to such ideas.

The National System of Public Investment (S.N.I.), has as ultimate purpose, the improvement of quality in public investment, through an efficient allocation of resources. Putting into practice the more profitable investment options from the economic and social point of view, according to the guidelines of the Government's policy.

For the achievement of this goal, an operative structure has been created. This structure supports itself in the functional organization of the Chilean Public Sector and establishes interdependence relations and coordination among the institutions of the different territorial levels participant in the public investment process.

2. INSTITUTIONAL ORGANIZATION OF THE CHILEAN NATIONAL INVESTMENT SYSTEM

The administration of the Chilean State, has a functional institutional organization which is decentralized and desconcentrated at territorial level, where many institutions participant in the process of implementing the investment ideas interact.

2.1. Functional Organization

In the organization of the Chilean public sector it is possible to distinguish three types of functions within the public investment process:

- Government's (decision-making)
- Administration's (execution)
- Advisory Services' (coordination)

2.1.1. Government's

This level makes decisions and establishes priorities about which projects, programs or studies shall be carried out, based on the technical-economic recommendations provided by the advisory level.

The Government's function is settled at the Executive through the President of the Republic and, due to territorial decentralization and desconcentration, in the Regional Intendents, Provincial Governors and at local level, in the County Majors.

2.1.2. Administration's

Mainly technical, consists in the identification, formulation, appraisal and execution of the public investment projects, through the commission of studies and works.

The administration function is carried out by the ministries, services, public enterprises and institutions, as well as by the regional services and the counties.

2.1.3. Advisory 's

This function is in charge of the coordination and reconciliation of the investment decisions, between the government and administration levels. It has to carry out the technical checking of studies, programs and projects from the public agencies (Ministries, Regional Agencies, State Enterprises, etc.) that apply for public financing. Besides, it has to inform about the results of the technical-economic analysis.

The advisory function is performed by the Planning and Cooperation Ministry (MIDEPLAN) and its agencies.

NATIONAL INVESTMENT SYSTEM

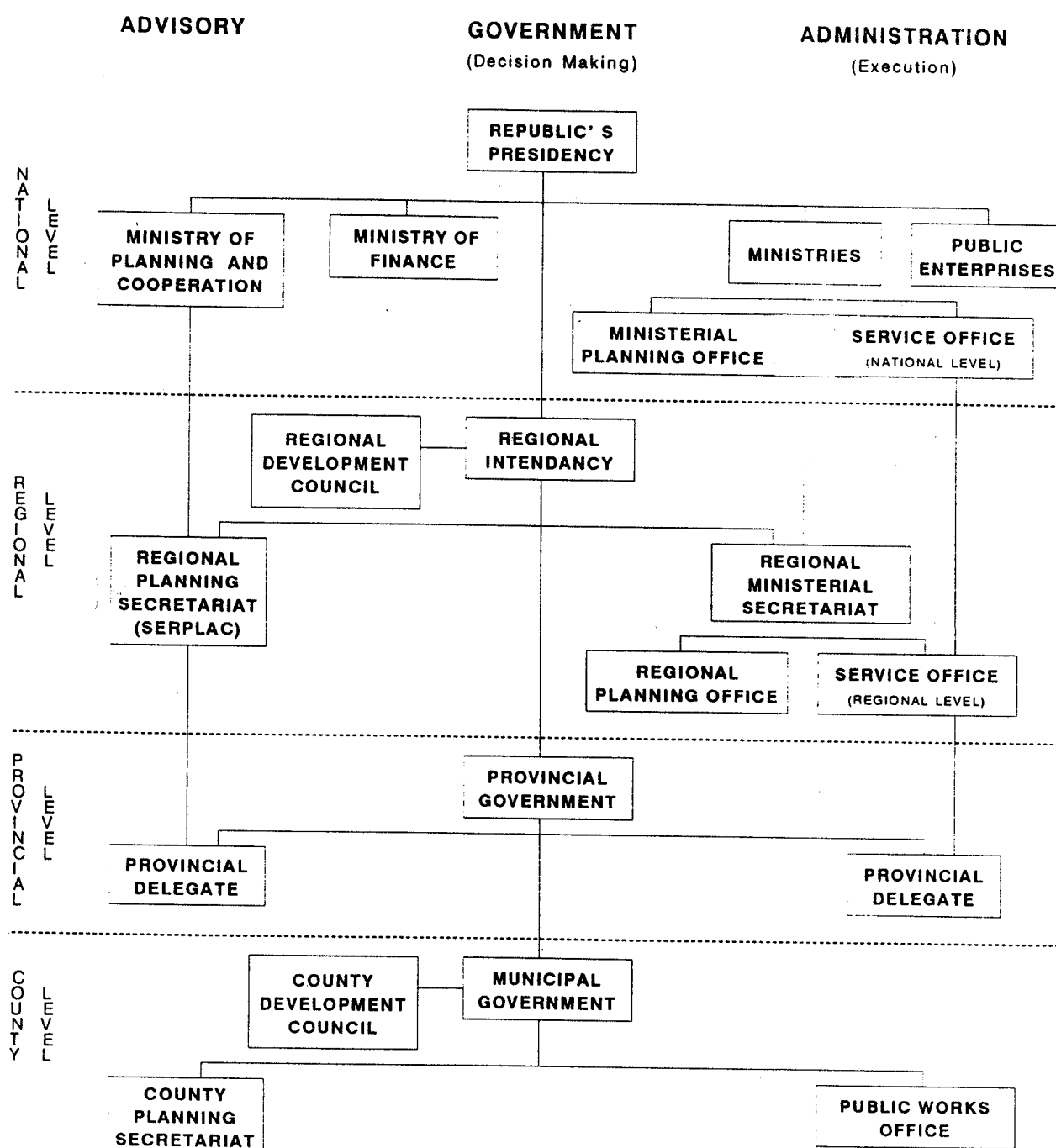


Figure 1

Figure No 1 presents the organization chart of the State's administration, where the separation by functions and the territorial decentralization of institutions participant in the public investment process can be observed.

2.2. Territorial Organization

As a result of the regionalization and territorial decentralization process, the administration of the State of Chile presents four territorial management levels in the decision making process relative to investment:

- National
- Regional
- Provincial
- County

At each of these levels, the institutions develop a specific role to meet the basic objective of the S.N.I., which is to achieve an efficient allocation of the scarce resources to the most profitable investment alternatives.

2.2.1 National Level

a) Role of the National Planning and Cooperation Ministry (MIDEPLAN)

As advisor of the Republic's Presidency, it has to coordinate and reconcile the investment decisions between the Administration level and the Government level.

MIDEPLAN, through its Investment Department, is in charge of giving the standards and guidelines for the identification, formulation, presentation and appraisal of public investment projects, as well as of analyzing them in order to give a technical-economic recommendation.

b) Role of the Budget Administration of the Ministry of Finance, DIPRES.

It is in charge of preparing and allocating the national budget and of the normalization and control of its use by all the institutions and enterprises of the public sector.

MIDEPLAN, as administrator of the technical-economic analysis system, and DIPRES, as administrator of the national budget, must normalize and administrate the S.N.I, applying it to all those organizations performing investment activities.

c) Role of the other Ministries and Public Institutions involved in the S.N.I.

The function performed by the Ministries in the matter of public investment is to plan, program and execute investment projects in their sectors, through the commission of studies and works.

A particular case is the Ministry of the Interior, which through the Regional and Administrative Development Subsecretariat, carries out a function similar to DIPRES' with regard to the allocation and physical-financial follow-up of the regional resources called National Fund of Regional Development (F.N.D.R.).

2.2.2 Regional Level

In each of the thirteen country regions there is a regional government, in representation of the President of the Republic. The maximum authority organization is the Intendancy, where the highest authority regarding decisions is the Regional Intendant.

In the subject of public investment, the Intendant is advised by the Regional Development Council (COREDE) and by MIDEPLAN's regional office, called Regional Planning and Coordination Secretariat (SERPLAC).

Likewise, each of the Ministries is represented by a Regional Ministerial Secretariat (SEREMI), which has to identify and detect the population's needs in its particular sector. Thus, there is a SEREMI in Health, Education, Public Works, etc.

2.2.3 Provincial Level

It corresponds to the intermediate level between the County and Regional levels, and essentially performs coordination functions. It is formed by the Governor and the provincial delegates of several organizations. This level does not have resources and it only has a coordinator role in some local investment programs.

2.2.4 County Level

The highest decision authority at county level is the County, which is formed by the Mayor and by the County Development Council (CODECO).

CODECO has to advise the Mayor and put into practice the community's participation in the economic, social and cultural progress. The County Development Council is formed by representatives of the community organizations regarding territory, function and relevant activities of the community.

In the subject of investment, the mayor is advised both by the CODECO and by the County Planning Secretariat (SECPLAC).

SECPLAC, as the mayor's advisor, has to identify, formulate and appraise the projects at county level.

3. SUBSYSTEMS OF THE S.N.I.

The S.N.I. is constituted by two main subsystems: the technical-economic analysis subsystem which is in charge of formalizing, homogenizing and coordinating the formulation, presentation and appraisal of the investment projects prepared by the different institutions of the Chilean public sector. And the budgetary formulation subsystem which is in charge of normalizing, homogenizing and coordinating the process of allocation of funds and the execution of the public sector's budget.

3.1. Technical-economic Analysis Subsystem

It is the set of standards, instructions and procedures which allow the different institutions to have a portfolio of basic studies, projects and programs recommended by MIDEPLAN and ready to be allocated funds for their execution and preparation. In Chile, this subsystem is traditionally called Basic Statistics Investment System, S.E.B.I.

Its main objective is to funnel the allocation of resources process to the most profitable investment opportunities, according to the opportunity cost of the public resources.

MIDEPLAN, through the Investment Department, is in charge of administrating the SEBI and as such, is responsible for the:

- a) elaboration of the procedures' standards for the projects' submission to public financing.
- b) analysis and issuance of the technical-economic recommendation of the projects.

- c) formulation, together with the sectors, of the methodologies for the preparation and appraisal of projects.
- d) calculation of the social prices of the basic and production factors.
- e) development of guidelines for the preparation of the terms of reference for the studies' commission.
- f) public officials' training on methodologies and procedures of the public investment process.
- g) administration and operation of the Projects' Integrated Bank (B.I.P.).

S.E.B.I.'s implementation is basically oriented to establishing coordination relations among the different organizations involved in the process, in order to streamline the investment capacity of the public sector.

S.E.B.I.'s coverage involves the Ministries and its sectoral and regional units, the Public Enterprises and all those institutions of the public sector that make investments.

Figure No 2 shows the general flow of S.E.B.I.'s management. It shows the separation by functions, the territorial decentralization and the role developed by each institution participant in the investment process.

3.1.1. S.E.B.I.'s Procedures

The annual process following the projects' submission to S.E.B.I. can be divided into three stages:

The first stage is the preparation and remittance of the general standards and instructions for the projects' submission to all public institutions. These are annually elaborated by MIDEPLAN and sent, together with DIPRES of the Ministry of Finance, to all the investing organizations of the public sector.

Some of these standards are: social prices to be used in the preinvestment studies, information to be incorporated into the Projects' Integrated Bank at each of the stages, and the standards that should be respected when naming the projects, so they can be homogeneously and unequivocally identified.

The second stage is carried out by all the public institutions participant in the process. According to the instructions previously mentioned, they begin to collect the projects' data for their submission. These are constituted by the studies already made, as well as the summary mentioned in the E.B.I. Brief. Then the projects are sent to MIDEPLAN or to the respective SERPLAC, depending on the financing source, typology and amount of investment involved in the project.

The third and last stage is carried out by MIDEPLAN, through its Investment Department and SERPLAC. It consists in reviewing and analyzing the studies' content and informing about the result of such technical-economic analysis.

MANAGEMENT FLOW OF THE BASIC STATISTICS INVESTMENT SYSTEM (S.E.B.I.)

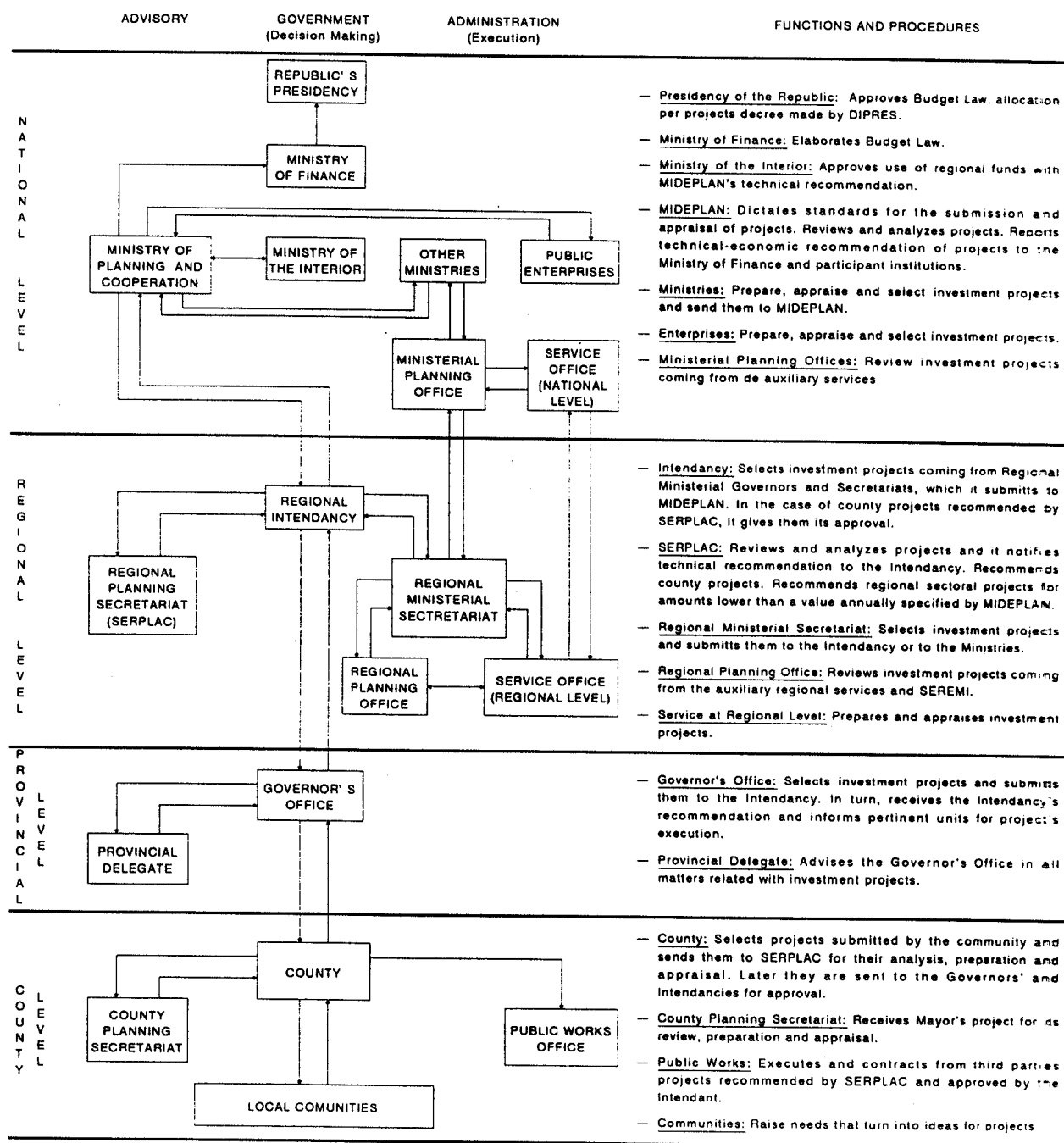


Figure 2

The general criteria used for the technical-economic analysis of studies and projects are: verifying their consistency with global and sectoral policies; foundation of the project through a preinvestment study; correct definition of the project - diagnosis; analysis of technical alternatives including size and optimum moment; review of investment and operation costs; future financing and operation of the project; analysis of coverage and focalization, etc.

3.1.2. S.E.B.I.'s Principal Elements

In order to meet SEBI's main objective, which is to funnel the allocation of resources to the investment initiatives with most social and economic profitability, three essential tools have been developed for the operation of SEBI and SNI as a whole. These are:

- Appraisal Methodologies
- Information Systems (Briefs EBI and BIP)
- Training

a) Appraisal Methodologies

The elaboration and dissemination of methodologies for the preparation and appraisal of specific projects, for the different typologies of projects (Eg. Airports, Urban and Rural Drinking Water, Sewerage, River Defenses, Public Building, Education, Health, Urban and Interurban Road Construction, etc.). To be approved, projects must be submitted according to these methodologies, using for this the social prices ^{2/} published by MIDEPLAN.

b) Information Systems. Projects' Integrated Bank. B.I.P.

The B.I.P. is an information system that supports the S.N.I. It makes it possible to manage, through a computation system, the huge volume of information generated in the analysis and discussion of projects carried out in the S.E.B.I. process. One of the reports drawn from B.I.P. is the Brief EBI, which is a sketchy summary of the main aspects dealt with in the studies of the projects applying to public

^{2/} In order to make the comparable projects' appraisal, MIDEPLAN annually estimates, up-dates and publishes the social prices that each institution has to impute for the foreign currency, manpower and social rate of rebate.

financing and the purpose of which is the standarization of their submission.

c) Training

A key aspect in this process is to have the resources to develop a continuous training program for public administration professionals in the area of projects. The training of technical teams able to identify and formulate projects in all the organizations of the public sector is considered as having high social benefits. It has been detected that, to the extent that budgetary allocations depend on the amount of projects that are being carefully prepared, and that the availability of external credits basically depends on this fact, some organizations and ministries shall see their possibilities of getting funds diminished. This is not because there are no good investment opportunities, but because they do not have the appropriate human teams to identify, prepare and appraise the respective projects.

In Chile there has been a political decision to carry out an ambitious training program, which so far has meant the training of 3.000 public officials.

3.2. Budgetary Formulation Subsystem

This subsystem has as main objective the allocation of financing resources to the projects of sectoral, regional interest and to the Enterprises that count on MIDEPLAN's favorable recommendation.

Thus, the institutions are able to count on the necessary resources to elaborate, either basic or preinvestment studies, and to execute the investment projects.

The main functions of the budgetary formulation are to homogenize, standardize and coordinate the information relative to the allocation of funds process and the application of the budget approved for the public sector.

The institution responsible for the formulation of the Public Sector's Budget is the Budget Administration (DIPRES) of the Ministry of Finance and, due to this, in this subject it has a bearing on the Institutions and Services ruled by the decree-law on Financial Administration of the State, as well as on the Public Enterprises.

With respect to the first ones, the formulation process takes shape in the Public Sector Budget Law, which as its name shows, is the Law for all practical purposes. Whereas with respect to the Public Enterprises, it has to approve the budgets case by case.

As first activity, DIPRES fixes the preliminary budgetary frame for each Ministry and for their respective services. It includes the total amount of resources with which each of these units will count on during the respective budgetary period. Based on this general budgetary frame, each public organization elaborates its own budget project for the period, covering both operating and investment costs. The prioritized projects which will be financed in the next budgetary period are included in the actual investment budget. These projects can apply for public financing if the respective E.B.I. Brief has been previously sent to MIDEPLAN and if MIDEPLAN has approved the projects in their technical and economic aspects.

3.2.1. Budgetary Discussion and Allocation Process

In the annual budgetary formulation process it is possible to distinguish the following stages:

- Preparation of the Exploratory Budget and of the Financial Frame.
- Preparation and Discussion of the Budget Project.
- Approval of the Budget Project at superior level.
- Final preparation of the Budget Law.
- Implementation of the Budget Law.

a) Exploratory Budget and Financial Frame

In this stage, DIPRES elaborates historical series of the institutional and sectoral behavior regarding costs and income, it incorporates elements of economic policy and it projects the income and costs into the exploratory budget of the different sectors.

It elaborates the global financial frame for the next three years with respect to levels, structure and fiscal situation of the public sector in general.

The figures and contents of the exploratory budget go through the approval authorities of the Budget Administrator, Minister of Finance and proposal to the Republic's President. Thus, the financial frame and terms and conditions for the budget project are reinforced.

b) Preparation and Discussion of the Budget Project

It starts with the notification to all Ministries of the instructions for the period's budgetary formulation. The policy of each sector, maximum level of sectoral costs, list of investment projects that might be considered, together with charts and forms, are enclosed in these notifications.

With this information, all the public organizations start to prepare their respective budget projects, supported by the information system of the B.I.P.

Next, the budget projects are analyzed and discussed and the respective global and institutional report is issued. For these purposes, work groups and Technical Committees where representatives of DIPRES, MIDEPLAN and of the pertinent organization participate, are put into action. On this opportunity, the investment program of each organization is defined.

Then, as a result of the previous analysis, the alternatives and the budget project are submitted to the Budget Administrator.

c) Approval of the Budget Project

It starts with the submission of the budget project to the Ministry of Finance by the DIPRES.

After this review, the Ministry of Finance presents it to the Republic's President, including the proposition of the budgetary levels and of the legal practices and measures for its implementation.

d) Preparation of the Proposed Budget Law

Its objective is to draw up the proposed budget law, including figures, statutory provisions and technical report. The Ministry of Finance sends it to the President of the Republic, together with the history from the President's message. Finally, the President submits the Proposed Budget Law to the Congress for its approval.

e) Implementation of the Budget Law

The Budget Law is enacted, and the investment figures are ratified at aggregated level, per region. Then, each institution submits the breakdown of such figures at the level

of specific studies and projects to DIPRES. For these purposes, an identifying decree of investment projects (allocation of funds) has to be formulated, which at the same time constitutes and authorization of costs.

The basic criterion, on the part of DIPRES, for the allocation of resources to projects, programs and basic studies, is for them to have the due technical-economic recommendation of MIDEPLAN. Furthermore, other aspects are considered, such as:

- That the project is completely financed and if there is more than one financing source, all are involved.
- That the project cost does not affect a macroeconomic variable.
- That the project's financing is consistent with the sector's policies, for example: participation of the private ones, when necessary.

3.2.2. Follow-up of the Physical-Financial Execution of the Investment Projects

The objective of the budgetary execution is to regulate and supervise the execution of the public expenditure and its respective financing. This function is performed by the DIPRES, without prejudice to the controls that in this area the controller organization of the public expenditure has. (General Controller of the Republic).

In the records and procedures of all information relative to the financial execution of projects, the B.I.P. is used, whereas the physical execution is only globally managed by this system.

The general procedure of this follow-up is: F o r t h e identification of studies and projects, DIPRES demands the presentation of the annual physical-financial advance program of each assignment. This information is given to such organization, when the institutions ask for the approval or countersignature of the identifying decrees or resolutions of investment studies and projects.

The amounts relative to the proposed allocations for studies and projects, as well as their programming, have to be entered into the B.I.P. for each institution. Thus, through such system, the reports pertinent to the physical-financial advance of projects, are obtained. These reports are demanded every three months by DIPRES.

4. CONCLUSIONS

It is possible to conclude that the relevant aspects which have contributed to making the Chilean National Public Investment System more efficient, have been, at least, the following:

- a) The existence of a national planning organization (MIDEPLAN), which has among its functions the examination of studies and projects submitted by the investing institutions, the preparation and application of specific appraisal methodologies, the calculation of social prices and a permanent up-dating of the Projects' Bank for the public sector (BIP).
- b) The acknowledgement of the financial authority (M. of Finance) to an independent planning agency (MIDEPLAN), which issues a technical report on the advantage of making the investments submitted by the public sector institutions.
- c) The existence of planning offices in the investing institutions of the public sector that identify and formulate projects.
- d) The emphasis on the preinvestment activity and the permanent training programs for the public sector's professionals, with the aim of improving the decision making process in the subject of public investment.
- e) The thorough process of budgetary formulation and execution applied to all the public sector.
- f) A regulatory agency for the public expenditure with carte blanche to exercise the financial control of the projects performed with charge to the Budget Law.

5. MODERNIZATION OF THE CHILEAN NATIONAL PUBLIC INVESTMENT SYSTEM

Acknowledging the important degree of development and efficiency reached by the S.N.I, this system is currently going through a modernization and adjustment process. Adjustment to the new demands of the Chilean investment process, the institutional changes and the challenges typical of an age of accelerated changes and innovations in all areas.

From this perspective, MIDEPLAN has negotiated a credit to finance a Preinvestment Program at national level. Its main component is the institutional strengthening of the Chilean S.N.I.

The basic objectives of this component refer to:

- The need of the S.N.I to reflect the impartiality and support objectives in the individual appraisal of investment projects, through the incorporation of the environmental dimension, human settlements and target groups in the analysis of projects.
- On the other hand, the incorporation of additional indicators to the projects' analysis. These would make it possible to determine the investment's effect on the income segments of the population (redistribution effect), on the sector's recurrent cost, on the level of employment, on the level of borrowing and on the strategies for national and regional development.
- The creation of the conditions to achieve efficient and modern ways of cooperation between the Public and Private Sectors, in the identification, execution, financing and administration of investments.
- Making progress in the regionalization and decentralization process of the S.N.I., in agreement with the national policies set in this area.
- The creation of mechanisms for the formulation of medium term investment programs that enable a future standardized projection of the investment in the different sectors of the economy and in the whole country.
- Strengthening the training systems for professionals related to the public sector.
- The definition and development of a follow-up and evaluation system for the investment financed with public resources.

PART II

PROJECTS' INTEGRATED BANK

1. INTRODUCTION

The implementation of a Projects' Integrated Bank, as an information system, arose from the need to develop a mechanism to process pertinent and timely information so as to simplify the analysis task and improve decision making in the public investment process.

On the other hand, through the implementation of a Projects' Bank, an operative process could be formed that would complement the specific analysis at project level, with a systematic, integral and dynamic approach to the public investment process.

From this view, the Projects' Integrated Bank (B.I.P.) was implemented, and at present it is a support tool for the National Investment System (S.N.I.) in Chile.^{3/}

However, it is important to emphasize that for the implementation of this information system, and for its acceptance and utilization by all the Public Sector, the effort made by the Government some years ago in order to modernize and improve the public investment process, was determining. This gave rise to a technical, institutional, financial and legal frame suitable for the political, economic and institutional reality of the country.

Within this context, a series of activities were initiated and are still being carried out in a dynamic improvement process, among which the following can be mentioned:

- Implementation of an operative and functional structure for the Public Sector's investment management.
- Establishment of standards and procedures for its operation.
- Elaboration and improvement of methodologies for the formulation, submission and appraisal of projects.
- Establishment of systems for the selection, monitoring and evaluation of projects.

^{3/} In Part I, the National Investment System (S.N.I.) is described in detail.

- Permanent training for public officers on matters referred to public investment management.

Therefore, this continuous effort to standardize, organize and systematize the investment process, has certainly been an important advantage for the start up and later operation of the Projects' Integrated Bank.

2. STAGES OF THE PROJECTS' INTEGRATED BANK IMPLEMENTATION

2.1. Projects' Regional Banks (B.R.P.)

Within the frame of the regionalization and decentralization process in motion the country, in 1982 the System of Projects' Regional Banks was implemented structured upon the base of 13 data banks located at each one of the Regions in the country.

The logical structure of the B.R.P. was mainly based upon the identification of a typology of activities in the public investment process (basic studies, projects and programs) and upon the need to cover their complete cycle during the preinvestment and investment stages. At this period, the information system was operating manually.

Once this stage was implemented, in view of the interest shown by the ministries and to extend coverage to improve the information's consistency and the aggregated analysis of the public investment process, a second stage was put into operation with the incorporation of the ministerial projects.

2.2. Projects' Sectoral Banks (B.S.P.)

Consequently, the Projects' Sectoral Banks (B.S.P.) were put into operation in the ministries. Both systems (B.R.P. and B.S.P.) had the same logical and physical structure. At this stage of the system, and due to the coexistence of multiple data bases and users, a duplication of information and an operational independence is generated, due to the overlapping of the action scopes of the participant institutions.

Therefore, a consolidation stage of such systems was initiated, structuring them as one Public Sector Projects's Integrated Bank (B.I.P.).

2.3. Projects' Integrated Bank (B.I.P.)

At a first stage, the B.I.P. temporarily worked with a minimum computation service given at central level. This method was used for two years thus, considering the experiences obtained, standards were improved and successive adjustments were made before the final system was put into operation in 1985.

3. DEFINITION AND OBJECTIVES OF THE B.I.P.

The Projects' Integrated Bank, B.I.P., is an information system for investment projects including studies, projects and programs of the Public Sector at national, regional and county level, in which all the institutions of this sector participate.

Its main objective is to support the decision making process regarding public investment, thus meeting the following specific objectives:

- To provide information on the public investment management process as a whole and on each one of the institutions involved, in a permanent and dynamic way.
- To give detailed information about each one of the projects and their effect over macroeconomic variables such as employment, redistribution of income, recurrent expenditures, target groups, etc.
- To simplify the programming and execution tasks in relation with preinvestment and investment, through the delivery of timely information.
- To link the institutions participant in the public investment process, using the B.I.P. system as a tool for inter-institutional coordination.

4. CONCEPTUAL CHARACTERISTICS OF THE B.I.P.

4.1 The Projects' Cycle

The B.I.P. design allows the follow-up of the projects' cycle during all their life, based on the definition of a Life Cycle of the projects and on the identification and definition of the states and stages comprise.

In the transformation process of investment ideas it is possible to identify three successive steps in the life of each project that gets executed: (See Figure N° 1)

Preinvestment: Starting with the idea's identification, each project is subjected to studies through stages where costs and benefits estimated to be required and obtained during the project's future development, are analyzed and when possible, quantified and appraised. During this step, its technical, legal, administrative, financial and economic feasibility is evaluated. To the extent that during this analysis the project reveals its potentiality, it becomes apparent whether the project is suitable or not to advance another step within the cycle.

Investment: During a second state the project enters a process, the objective of which is its physical execution.

Operation: During this third stage, the project is put into operation and it generates the benefits estimated in the preinvestment state.

In the states of preinvestment and investment, it is possible to differentiate the stages a project goes through, configuring development levels of the study for the decision making process regarding either to continue, postpone or abandon a project.

A stage represents the project's maturity degree within the state it is in. For the preinvestment state the stages are: Idea, Profile, Prefeasibility and Feasibility. In the investment state the following stages can be identified: Design and Execution of the project.

PROYECT LIFE CYCLE

STATUS

STAGES

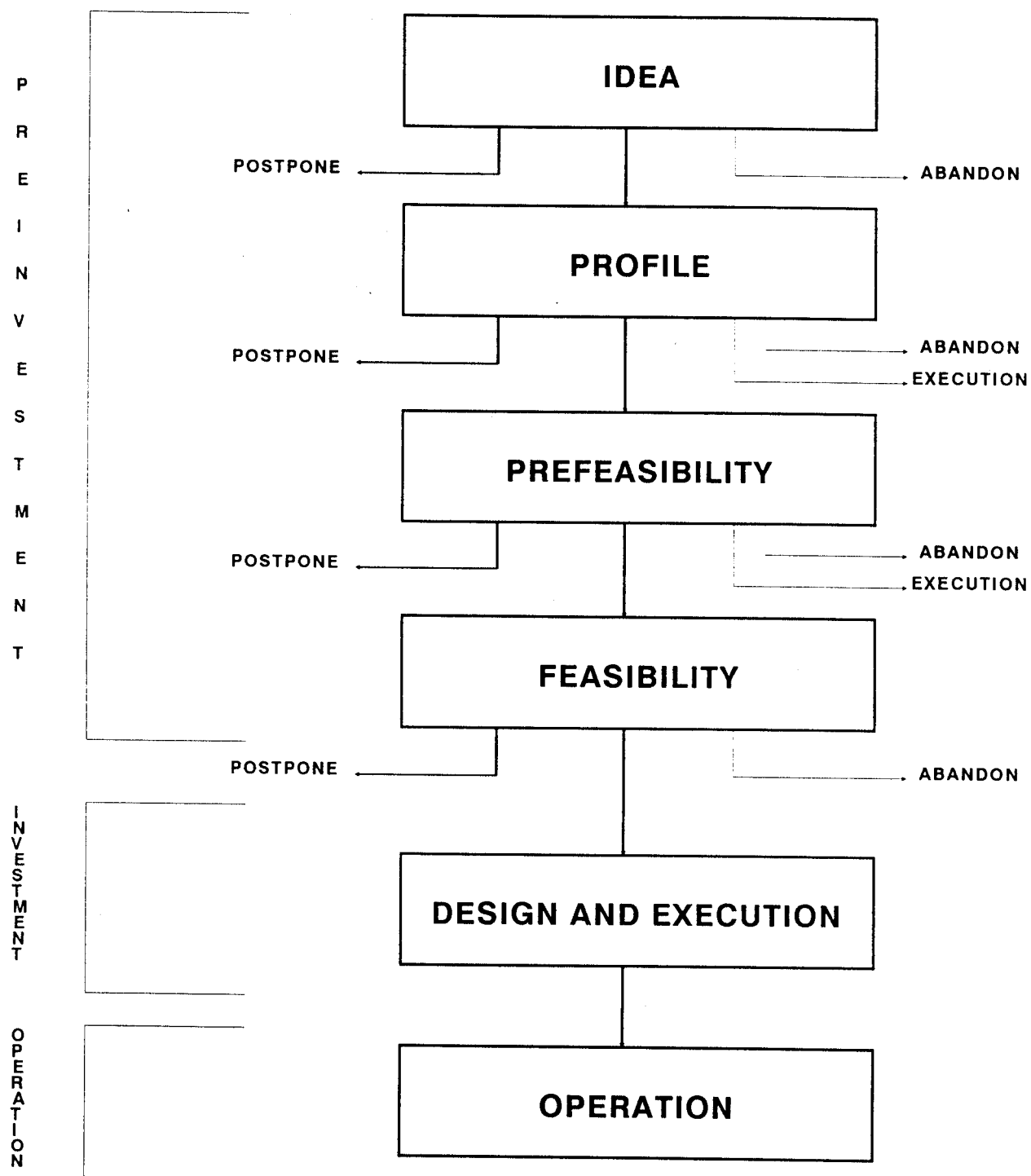


Figure 1

For the B.I.P. design it was necessary to standardize the projects' cycle, so as to store and process homogeneous information. However, this cycle is not compulsory within the system and the B.I.P. just reflects the reality of each project.

Besides, because the stage reflects the project's maturity degree within the cycle, each project can be only at one stage at a specific moment.

4.2. Institutional Coverage

The B.I.P. conceptual design was based on the institutional structure of the country's public administration, which in turn works in a program of functional decentralization and territorial desconcentration.^{4/}

In the country there are more than 500 institutions participating in the Public Investment System. They interact among them from their respective functional and territorial levels. The B.I.P., in this context, constitutes a fundamental coordination mechanism.

4.3 The Project as the System's Unit

In accordance with the B.I.P. objectives, the project is the system's unit and because of this its Code and Number should remain unalterable. The Code is a number automatically provided by the system, the Name is assigned by the person who identifies and enters the project to the system. The name must be given according to the standards set by the B.I.P. for this purpose, so the project is unequivocally identified and valid through all its life.

4.4 Institution Responsible for the Project

The system's design determines that there should always be an institution responsible for the project, since this institution is the only one who can enter or modify information. Therefore, the quality of the institution in charge of the project at each stage of its life cycle.

^{4/} The Institutional Organization of the S.N.I. is described in Part I.

4.5 System of Privileges

Due to its configuration, a single data base and multiple users, the B.I.P. has to preserve the information's reliability and integrity. Thus, it will be able to respond to the organizational structure of the public sector and to the functions assigned to each institution. For this purpose, a privilege system was established in order to enter and/or modify information, according to the users' functional (sectoral) and territorial (geographical) competence scope.

5. B.I.P. OPERATION

5.1. Data Access

The B.I.P. is an information system for public investment projects covering all those activities carried out by all and each of the public sector institutions in the subject of projects.

All the system's data is stored in a single and centralized data base, and users can have access to this information in a decentralized and interactive way through a terminal network.

Since there is only one data base, the information at a specific moment, is incorporated and updated only by the institution responsible of it.

Other institutions participating in the system can have access to this data and use it according to their respective competence scope, however they cannot modify it.

It is because of this characteristic of the system that the information has to be kept private and secure, in such a way as to respond to the organizational structure of the public sector and of the respective functions of each of its levels.

This is specially important, since the decentralization process has generated competence overlaps among those institutions defined in functional terms and those specified in geographical terms.

In the following charts (Figures N° 2 and 3) the competence scopes of a Ministry at national level and of a Regional Government are shown as illustration.

SECTORIAL COMPETENCE

REGIONS MINISTRIES	REGION I				
	PROVINCE I.1		PROVINCE I.2		
	COUNTY I.1.1	COUNTY I.1.2	COUNTY I.2.1	COUNTY I.2.2	COUNTY I.2.3
MINISTRY 1					
MINISTRY 2					

Figure 2

TERRITORIAL COMPETENCE

REGIONS MINISTRIES	REGION I				
	PROVINCE I.1		PROVINCE I.2		
	COUNTY I.1.1	COUNTY I.1.2	COUNTY I.2.1	COUNTY I.2.2	COUNTY I.2.3
MINISTRY 1					
MINISTRY 2					

Figure 3

5.2. Localization of Terminals

All the system's data is stored in a central computer. However access to all the information is possible through terminals distributed in the 13 regions of the country. Besides, the system allows the entry of a project and all its information, directly from any terminal in the country. These terminals are located in the regional capitals.

In addition, there are terminals in other institutions at central level. They were selected according to the volume of information they generate in relation with projects. These are: Ministry of Planning and Cooperation (MIDEPLAN), where the administrative function of the system is settled (4 terminals), Ministry of Public Works (3 terminals), Ministry of Finance, Ministry of Housing, Ministry of Education, Ministry of Health, Ministry of the Interior and General Controller of the Republic.

A graphic representation of the location of these terminals along the country is shown in the following map of Chile.

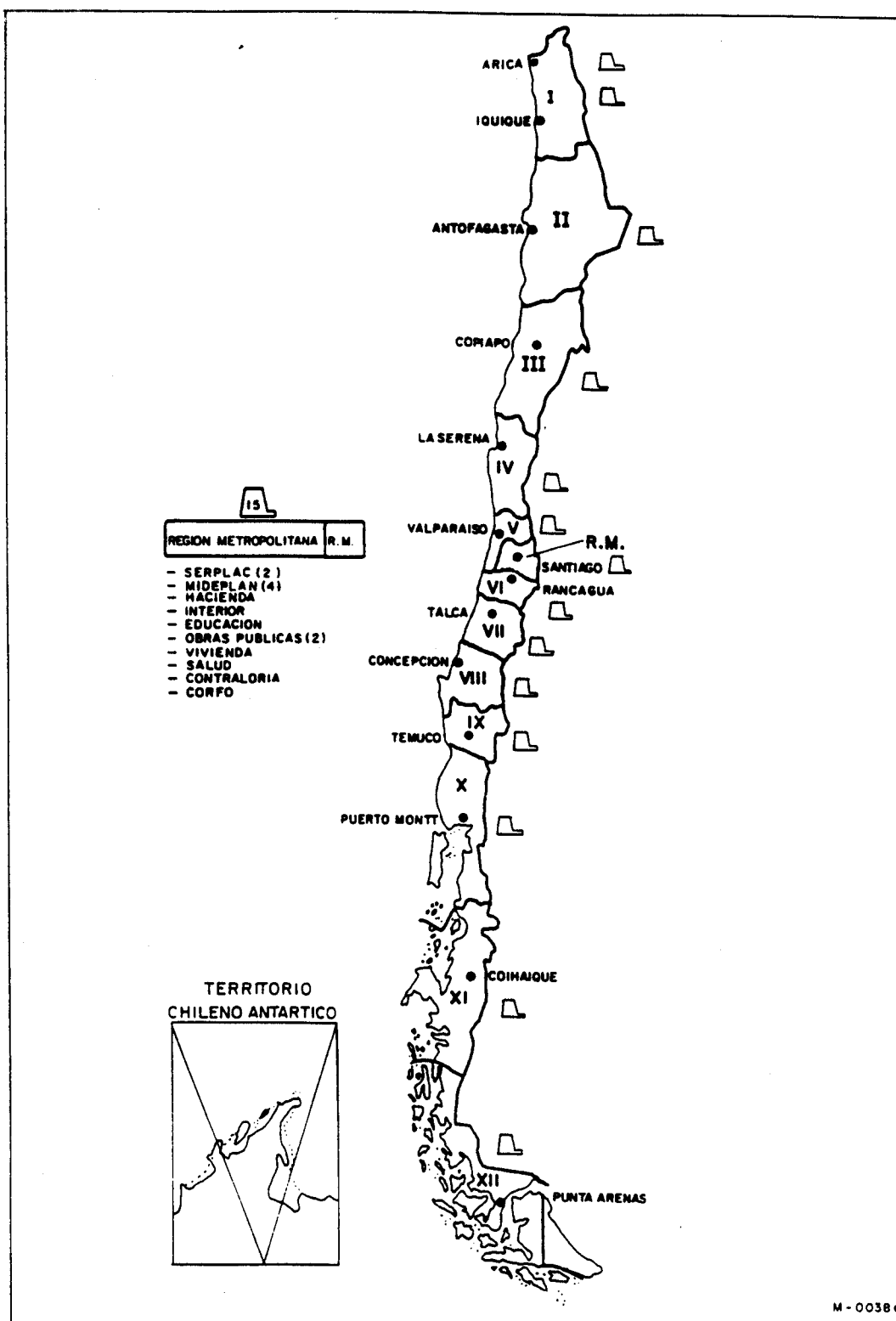
5.3 Users of the System

From the organizational point of view, all the institutions of the public sector are considered users of the system. These institutions, and according to the functions they perform in the public investment process, have been classified in the following three levels: decision making, advisory and administration. 5/

Besides, according to their coverage or geographical and functional jurisdiction, or economic or sectoral activity, these institutions have a scope which defines their access privileges to the information stored in the system. On the other hand, and from the access point of view, there are direct and indirect users. Direct users are those who have a terminal of the system and indirect users are those who, not having a terminal, must approach the respective direct user in order to have access to the system.

5/ The institutional organization of the S.N.I. is described in Part I.

B.I.P. - TERMINAL NETWORK LOCATION



5.4. Data Base Structure

The structure of the B.I.P. data base corresponds to a hierarchical data organization model, in which the information entities are interdependant. A project's information structure, grouped by information modules, is presented in the following chart (Figure N° 4).

Each information module corresponds to stages in a project's life and is linked with the planning and budgetary processes of the National Investment System, S.N.I.. Next, a description of the content of each module is described:

- Identification Module: It contains identification information of the project and, therefore, remains invariable throughout the project's life cycle. For example: Code, Name, Sectoral Classification, Localization, etc.
- Stage Module: It corresponds to the identification of the status report or maturity degree related with the life cycle of the project.
- Submission to Financing Module: The information relative to the S.N.I. technical-economic analysis ^{6/} subsystem is registered. This information corresponds to the submission of projects for their technical-economic appraisal and their subsequent submission to financing through the public budget.
- Budget Allocation and Follow Up Module: Information relative to the Budgetary Formulation Subsystem is registered. It corresponds to the project's allocated amount, per calendar year of financing, programming and effective expenditure.
- Contracts Module: Information relative to the characteristics of each contract and its physical and financial progress is registered.

^{6/} The subsystems of the S.N.I. are described in detail in Part I.

DATA STRUCTURE OF THE PROJECTS' INTEGRATED BANK

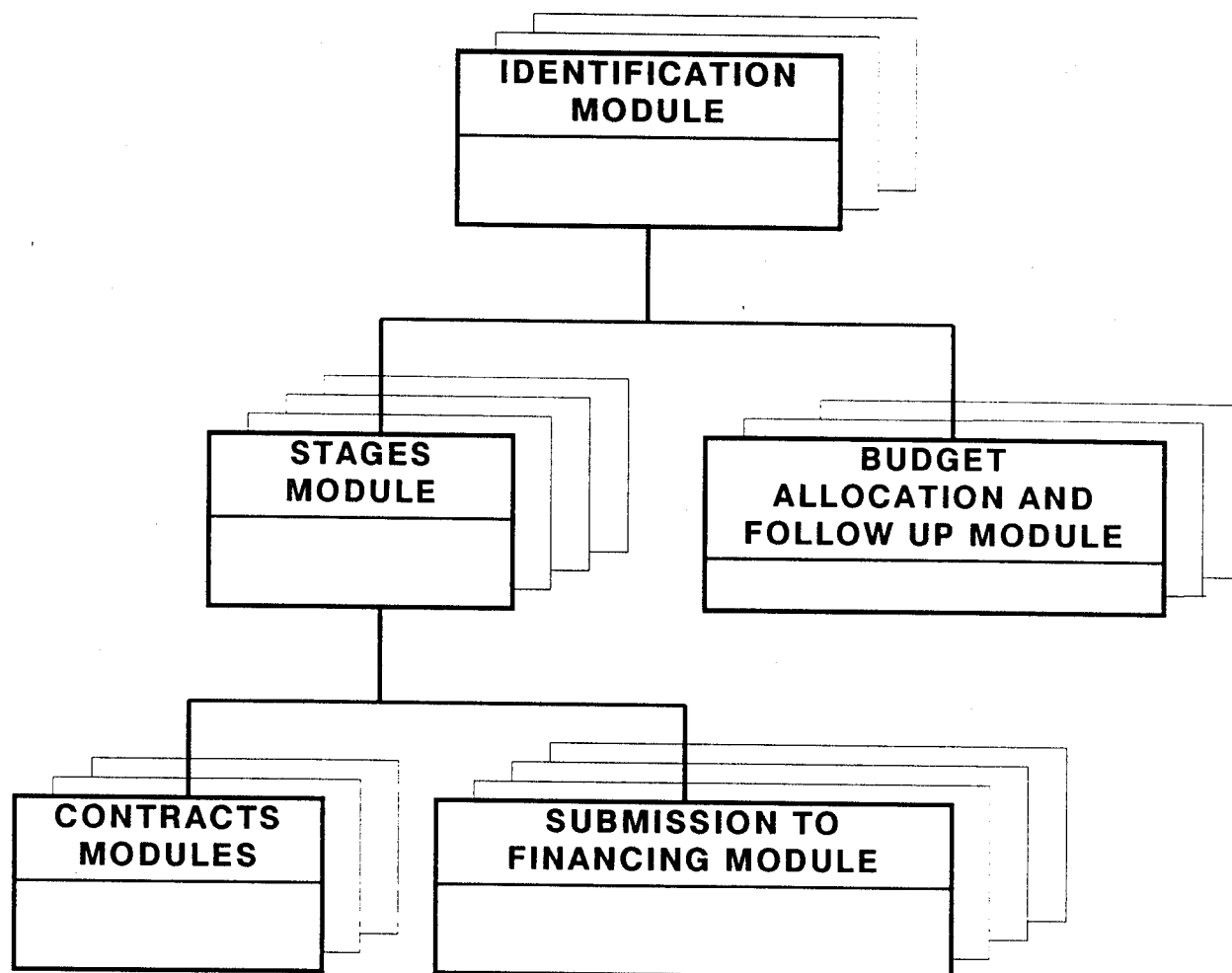


Figure 4

6. FUNCTIONS OF THE SYSTEM

The B.I.P. is oriented towards the fulfillment of the following functions:

6.1. At Individual Project Level

6.1.2. Data Entry and Editing

It allows access to a project by code and according to the defined privileges, it accepts input or modification of data.

In the particular case of a new project's input, it only verifies that the project entered corresponds to the user's sectoral and geographical scope. Then the system generates the project's code.

6.1.2. Information Retrieval

a) Screen Reports

It allows the access to the project's Identification. Within this option, and the respective privileges of the user making the consultation, it is possible to have access to the rest of information associated with the different information modules.

b) Printed Report

By selecting a command in the menu, this function allows the issuance of printed information relative to a project. It can be in the form of several reports that correspond to the following information: project, stage, allocation, financing application and contracts.

6.2 Aggregated Level

6.2.1 Query Functions

It allows the selection of groups of projects meeting specific conditions given to the system by the users. This information can be retrieved in:

- a) Printed reports. This output allows the generation of printed reports, by identifying the group of projects to be issued and defining the areas to be displayed. The system allows the user to define his own format reports.

- b) ASCII text file to subsequently export the information obtained from the system to the format of software such as Lotus 123 and Dbase IV.

6.2.2. Standard Reports

They are preformatted reports, designed through special programs for specific purposes, which unlike the previous ones, can be obtained with direct options from the menu. Such is the case of the reports for the results of the technical-economic analysis, the budget process reports and others.

It is worth mentioning, that the last options of the system enable to make an aggregated analysis with an integral approach to the investment process, which constitutes one of the main objectives of the B.I.P. system.

7. SPECIFIC APPLICATIONS OF THE B.I.P. FOR THE NATIONAL INVESTMENT SYSTEM (S.N.I.)

- a) Technical-economic Analysis of Projects

The submission of projects for financing is performed by means of a form called "E.B.I. Brief". Its purpose is to standardize and summarize the projects' information when they are subjected to a technical-economic analysis. The "E.B.I. Brief" constitutes a kind of individual report that is provided by the system.

- b) Budgetary Formulation Process

When discussing the public sector's budget, each institution presents its budget project for the following year, including the identification of the investment projects it intends to finance. Such information is submitted in special forms (special reports) which are provided by the B.I.P. system.

- c) Budgetary Execution Process

Once the funds are assigned to the project, its execution is initiated. During this step, it is necessary to report periodically to the institution responsible for the budget (Ministry of Finance) on the financial and physical status reports in order to inform the respective organization about these matters.

The three kinds of reports previously detailed are only some of the examples that show the close link between the National Investment System and de B.I.P. System, and how the latter is a supportive tool for the first one.

8. GENERAL RECOMMENDATIONS

With the development and implementation of the B.I.P. some problems arose, affecting its development, operation and utilization. It is worth mentioning the following:

a) Computational Development of the System

The B.I.P., more than a Projects' Data Base, is an information system and as such, established procedures should be available and the information should be standardized, as a previous condition for its computational design and implementation.

b) Design of the System

The design of the system should be simple and in a first phase it should be limited to holding the available processes and information. In a second phase, and through a modular design, it would be convenient to gradually aggregate complexity to the system.

c) Institutional Support

It is essential that, besides the technical disposition to implement this system, there is a political intent to support it. This is not always in direct relation with the quality of the system designed.

d) Permanent Training

For an appropriate performance and utilization of the B.I.P. System, on the part of the users, permanent training programs and activities to spread the system are required, because the turnover rate of public officials is high and due to the continuous adjustments and adaptations this kind of system has to go through.

9. MODERNIZATION OF THE B.I.P. SYSTEM

The Chilean Projects' Integrated Bank operates as such since 1985 and at present it is confronted with the obsolescence of its hardware. The decision has been made to change to new equipment in order to improve and modernize the system. The proposed changes would allow the improvement of the investment management in the following areas:

- Modernization of both hardware and software would allow access to the system for a larger number of users (50 terminals, with future expansions) and faster access to the information.
- Better performance and greater efficiency in the access to information.
- In-line assistance for users in order to simplify the utilization of the system (electronic mail).
- Greater autonomy for the regions in the utilization of the system, thus contributing to the country's decentralization.
- Development of connection and exchange of information systems with the Private Sector, in the light of the new legislation in force, and according to the policy of stimulating the Private Sector's participation in the financing of public investment projects.

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DOMINICA
PUBLIC SECTOR INVESTMENT PROGRAMMING IN OECS COUNTRIES
"THE DOMINICA EXPERIENCE"
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1. Introduction and Diagnosis of the Public Sector Investment Programme (PSIP)

1.1. The Economic Development Unit within the Ministry of Finance and Development, is the central planning unit and the agency responsible for the Public Sector Investment Programme (PSIP). This agency has the responsibility for economic and physical planning and coordination, property valuation, the implementation of the town and country planning legislation and project cycle activities at the global level. The Unit has been in operation with different organizational forms and responsibilities since the early 1970s.

1.2 Some of the work areas of the EDU are:

- Provision of policy guidance to the national decision makers on national economic and physical planning and appropriate development strategies.
- Preparation and monitoring of a national development plan preparation and updating of the Public Sector Investment Programme and the Technical Corporation Programme.
- Aid Coordination and Management: negotiation and liaison with external funding agencies.
- Development of public sector projects.
- Preparation and monitoring of the Capital Budget Estimates.
- Coordination of the various implementing ministries, and the link between these line ministries and the core departments and agencies (is a particularly important activity of each project officer of the EDU).

1.3. With specific reference to the formulation of the PSIP the EDU

- Issues and reviews guidelines to implementing agencies for formulation of project profiles/proposals.
- Working with designated personnel of the line ministries, assist them to identify and prepare projects to be included in the PSIP.

- Obtains, on an on-going basis, information on the status of (1) proposals being developed, (2) ongoing investment projects and assist in the identification and resolution of constraints to their efficient and effective implementation.
- Liaise with bilateral and international agencies on financing and related matters about the PSIP.
- Finalizes the PSIP.
- Prepares mid-year review of PSIP within the framework of Sector (and by and 1992, National) Plans.
- Provides training to personnel of line ministries in various aspects of the PSIP including computer database skills.

The job description of personnel of the EDU reflect these functions both in content and the explicit provision for interaction among jobs.

1.4. The Public Sector Investment Programme for the period 1991-1994 is based of the following general national goals;

- Reduce the vulnerability of the economy to external shocks.
- Improve external competitiveness particularly in the "traditional productive sectors".
- Develop other productive and supportive sectors and improve their capacity to provide the resources and requisites for advancement in the "traditional productive sectors".
- Achieve sustainable economic growth.

1.5. The perception of the nature and scope of the PSIP which increasingly guides the development management activities in Dominica is that the PSIP is both a process and a public management instrument which enables the government to allocate investment resources, accessible to the economy, in a given period for the development of the country according to the Government's expressed development objectives, development strategy and set

priorities. The PSIP is gradually being practiced and internalized both at the concept and operational level by public sector personnel and the political directorate.

- 1.6. This instrument is increasingly being utilized as a link between macro and the micro level decision making, and for allocation of loan funds to project which are income and revenue generating. Very importantly the PSIP has been a central instrument in bringing together explicitly the steady state and investment planning functions/activities of management in the public service.
- 1.7. The emphasis of the PSIP is the medium term perspective, however a major purpose and output of this process is to connect more closely and explicitly the planning perspectives to those of the Annual Budgeting and Debt Management. The planning process is especially concerned with economic and social policies, globally quantified targets and generally defined tasks, performed (preferably!) in an organized structure to obtain medium and long term goals for the development process. However, budgeting, which undertakes programming of public sector outlays to transform PSIP into action through fiscal measures which organize and control activities, has a somewhat different perspective and shorter time frame, which is not jointly managed by stakeholders might lead to contradictions between both spheres of development management. It is intended that the PSIP assists this joint action.
- 1.8. We recognize that the PSIP would ideally cover the entire public sector, including central government, non-financial and financial public institutions, and public enterprises. And in fact information on all these are reflected to some degree. However, emphasis in our efforts is for the time being, concentrated on central government in an effort to develop the awareness and skills required and to avoid diluting our effort and the reduction of impact. I have become convinced that we should concentrate our scarce human, financial, physical, time and other resources on less widely distributed efforts, and deal with each in greater depth over a longer period of time.
- 1.9. To date the PSIP continues to include more than capital expenditures (i.e. required for the creation of assets or that last longer than one year as net incremental assets or as replacements to old ones in the production of goods

and services). In other words expenditures which are more accurately allocated as current or maintenance expenditures do get included in the PSIP for particular reasons. Step-by-step, as more of the basic management (especially planning and decision making) skills are acknowledged and improved at all levels, the system will be refined.

2. Core Elements of the PSIP in Dominica

2.1. Essential elements of the Dominica PSIP effort at this moment consist of the following:

2.1.1 A computerized database of all public investment activities. These include "Ideas" & "Ongoing" projects (projected 3+ yrs), and completed projects (providing up to 3 yrs. historical data). From this base are generated summary lists with subsets of these projects according to the analysis required. E.g. a list of all central government activities in progress or a summary of projected overall public investment over say the next 2 - 3 yr. period, cross-classified by such categories as sector and source and type of funding. Data with respect to the third year is however rather weak. This is one of the areas which are expected to benefit from the Sector Planning, and Mid-Year Review activities now being undertaken, and from improved project identification, design, preparation and evaluation. The three year time frame is as far ahead as we consider for the time being to be practicable, due to many factors including uncertainty of future conditions and the difficulty of receiving firm commitments from finance sources particularly with respect to the accessibility of grant funds.

2.1.2 An important summary presentation out of the global PSIP is considered to be the core group of high priority projects directly related to major national development objectives and strategies and which either have reasonable prospect for financing or for which unusual and innovative ways of financing must be defined and pursued. These core projects also

receive preferred weighing (at present in a rather informal manner) with respect to the allocation of loan funds.

2.1.3 A set of project profiles (ideally for all items on the list) and (for larger and more complex projects) feasibility studies. A proposed activity only becomes a project "Idea" and is included in the PSIP database if it has a basic project profile acceptable to the Economic Development Unit. On occasion a proposed activity gets on to the PSIP without a profile following on high level discussions between the political head of government and a finance source. Work then ensues to treat with the matter recognizing that the ideally preferred project identification and development processes (particularly the examination of alternatives) may have been constrained.

2.1.4 Implementation plans for projects. Draft implementation plans are required at the profile or intermediate preparation phases and "updated" or new implementation plans when release of funds are requested through the EDU, from the Department of Finance, under the Annual Capital Budget. The actuality for this requirement, in terms of the level of sophistication of the instrument varies among ministries and in accordance with the complexity of the project.

2.2. Institutional Core Elements of the PSIP

2.2.1 We consider it useful that processes which are often undertaken independent of the PSIP (sub)system should be closely integrated with, if not pursued as major components of, that (sub)system. A critical activity now ongoing in Dominica is the analysis and documentation of the explicit links between recently prepared sector papers and the PSIP. This effort is also being integrated with a mid-year review of the Capital and the Recurrent Budgets. These activities are to become regular annual components of the National Planning Process. However any expectation

(scheduled targets notwithstanding) to have the whole system in place and fully operational within as little as two years would be overly optimistic.

2.2.2

A carefully managed outcome of the mid-year review therefore is to be the provision of project and recurrent account inputs into the Annual Planning and Budgeting process for the coming financial year. A specific output for example will be the first draft of the Capital Estimates for the following Financial Year - July 1992 to June 1993. This will be accompanied by analysis indicating areas of deviation from planned goals and objectives either through, additions of projects inconsistent with these national guidelines, omissions of planned activities or through changes in the information and environment basis for the plan and budget over the past six to twelve months. A major effect here is to keep as congruous as practicable, the result at the planning level of the sectoral allocation in programmes and projects and that of budget implementation of those allocations, adjusted to current needs and immediate financial constraints. In Dominica, week integration of these related processes is in fact a major impediment to the realization not only of planned but of budgeted targets.

2.2.3

For the PSIP to be successful we have linking the process explicitly to steady management practices (ongoing and proposed) in addition to those of the project cycle. For example we consider that an effective project monitoring system, which provides reliable and up-to-date information to decision makers, on the physical and expenditure progress of the investment programme, will be facilitated if the link and interaction referred above is thoroughly understood and internalized by the Political Directorate, Permanent Secretary or Head of Department and (at least) middle management; (in addition to personnel with more directly related project development functions and skills). Also for the PSIP to be meaningful and to survive it must be

recognized and utilized as a rolling programme. Hence we consider that it must be fully integrated in to the annual schedule of "steady state" activities by implementing or line agencies in addition to those of Finance, Planning and Coordinating departments (core agencies) and Cabinet activity. Rolling plans and the PSIP do not "role" on their own volition. In order to facilitate this bond between "Steady State" and Planning/PSIP/Project Cycle, the EDU in consultation with Heads of Departments, is in the process of finalizing (among other mechanisms) two flow charts. One presents a Calendar of Events or Thresholds relating to the Budgeting and the Planning/PSIP processes and the other seeks to sets out in a Flow Diagram the Project Cycle and the respective several and joint inputs of the major players/stake-holders.

2.2.4 In the Dominica case therefore, without reducing the significance of technical, technological and staffing limitations and considerations, we consider that many of the difficulties related to the establishment of an efficient and effective PSIP system rest outside of the directly technical aspects of the PSIP instrument itself. This is also considered to be a useful view with respect to the project cycle.

2.2.5 The preparation and management of the PSIP is not an independent effort by a particular department such as the Planning Agency or for a particular level of management or technical expertise. It is very much a political, dynamic and iterative process in which government, private sector employers and employee associations must play their part. It includes national, sector, project and the private sector participation.

3. Functioning of the PSIP in Dominica

- 3.1. We are discovering in Dominica that an overall set of policies and strategies as we have (presently set out in Sector Plans or Papers and other documents) do not necessarily provide an unambiguous guide to the allocation of resources in the PSIP. However it does provide beacons towards which the projects of the PSIP may be directed in design and prioritization. These signposts are of particular importance given the basis of public policy formulation and decision making which includes the qualitative integration of economic, political, social and technological objectives. The trade-offs being made however, are not always identified or clear.
- 3.2. Dominica has arrived at a major threshold. Sector plans (which I prefer to call sector papers) have been prepared for the social and economic areas. We are discovering that the determination of the aggregate potential benefit at the policy level is difficult enough, but qualitatively less likely to lead to conflict. However, finding the mix at the micro level that reduces potential conflict between policies and heightens the potential for complementarity so that aggregate benefit is perceived to be maximized is an even more difficult and vexing ambition. This is the painful phase which Dominican decision makers at their respective level must now tackle. This could be particularly traumatic given the embryonic information systems, human resource inadequacies in numbers and skill and an incomplete understanding both to by many who seek to assist us and often by ourselves, of the paradigm within which we operate.
- 3.3. The Agricultural Sector Paper for example sets out concepts and issues which are directly related to the PSIP/Project Development Process. The paper treats with the concept of the economic farm size unit in Dominica particularly as this relates to the island's rugged topography, economies of scale, implications for agricultural extension and for future land settlement schemes. This single set of issues raise considerations about the re-structuring of the Ministry, the upgrading of existing skills and the development of new ones. These will have implications not only for that ministry but for others such as education, trade, marketing and

legal. The PSIP process linked into the mechanisms within the steady state structure is expected to assist the realization

"on-the-ground", of policy and strategy decisions on these matters.

- 3.4. Analysis of the PSIP vis-a-vis sectorial and national objectives also has significance with respect to decision making on the relative emphasis to be given to specific sectors and projects within sectors. A related consideration here is the identification of cross-sectoral investments. For example, the feeder road programme which falls administratively within the Ministry of Communications and Works also constitutes an investment in support of agricultural diversification and nature tourism development.
- 3.5. A major requisite for the establishment of an efficient and effective PSIP in Dominica is the establishment of a system of management that encourages and facilitates the review of medium term issues and the flow of decisions to the administration. The mechanism being proposed in Dominica is the Core Management Unit (CMU) composed of the Minister, the Administrative Head of Department, the Chief Technical Officer and from time to time senior and middle management and project managers. The CMU would also decide on those critical thresholds of achievement which are to be reported on for high priority and large projects. In this way the control mechanisms of the management function is put into operation; the sector planning, decision making, implementing, reporting, evaluation and control functions are in this way permitted to interact within one management unit.
- 3.6. The PSIP must be fashioned and seen to contribute in a real way to the Annual Budget's efficacy for the realization of medium-and long-term objectives. The EDU therefore, must ensure that at the core agency and line ministry levels, the planning and PSIP process keeps 'inclose touch' with the realities of financial and resource availability and accessibility (without necessarily treating these variables as parameters). If not then the broader perspectives of planning and the PSIP (though also political in nature) will not be permitted to influence budget decisions which often carry a much more immediate political awareness.

- 3.7. Initially and some years the integrated approach between PSIP and other development management instruments/processes can be realistically expected to generate only rough agreement. However continued utilization may reasonable be expected to improve on the process each year.

4. Identification of Concrete Problems and Constraints in the Preparation and Implementation of the PSIP

- 4.1. The need to deal with multiple/numerous finance and donor agencies each with its own variations in programming schedules, procedures and formats.
- 4.2. The apparent persistent attempts of staff/personnel/consultants of finance or development agencies (regional or international) to impose classifications and perceptions on the national environment to the exclusions of the real requirements of that environment. A case in point is the classification of the status of projects. "Ongoing" status of a project in Dominica means that the implementation "on-the-ground" has begun for that project. This classification was arrived at after extended consultations by the Economic Development Unit with all ministries and after discussion on classifications by the Committee of Permanent Secretaries. For the World Bank and our own Caribbean Development Bank, the term has been held to refer to projects which have been formally approved by the donor agency, irrespective of whether the projects are already in execution. If the project is approved before or during the year in which the PSIP is prepared, it is considered "ongoing". This is all to the good because the purposes and forums for which each of these classifications were developed are different. Difficulties and damage to the effort to improve project database management in Dominica came from the view of some multilateral agency personnel that the Dominica meaning of the classification was "wrong". Of course a simple solution which we in Dominica consider will easily resolve this matter is to add a new field to the database so that for the CGCED and related meetings the appropriate tables and reports may be generated. Before this occurred however the process of internalization of a very workable system was interrupted, and some two years after we are still in the process of reviving the enthusiasm of some of the local officer's affected.

- 4.3. The PSIP process still tends to be regarded as a technical process both by some technicians, permanent secretaries and by many Ministers of cabinet. The central decision making element of the process by the politician needs to be more strongly established. This however must be supported by the provision of less abstract, more practical alternative choices of the decision maker; i.e. heads of department or the political directorate.
- 4.4. Allocation of resources among sectors is at best irksome, given the link to ministerial power and influence. However allocation with specific sectors also has its frustrations. The notion that "everything is first priority" is not infrequently heard. And this rather helpful pronouncement reflects a direct development problem in small developing countries. For example, in Dominica where infrastructure, and export sector capital stock is embryonic, the PSIP process is confronted with a systemic problem that demands consideration of the multiple urgent requirements for the creation of a basic structure in the quickest possible time. The even greater difficulty is to convince politicians that the planning and prioritization path is perhaps the surest and quickest way!
- 4.5. There are external influences regional and extra regional on the set of feasible options to Dominica. Strong external influence on the selection of priorities are potentially damaging to the PSIP and to the national decision making process. These influences may be perceived to contribute to a process of underdevelopment.
- 4.6. There is the need for a clearer understanding by both the political directorate and financing sources including the World Bank and IMF of the big jump which has to be taken between the identification and acknowledgement of policies and policy instruments and the reality of transforming them to real objects. This recognition will influence the set of criteria utilized in appraisal of projects and therefore the final mix and sequencing of components in the PSIP.
- 4.7. A major impediment to the effectiveness of the PSIP in Dominica as an instrument of allocation of resources among sectors and between projects is that projects are not at the same stage of preparation at the same time.

There are many instances where high priority projects are in earlier stages of preparation than lower priority projects or even other projects which sequentially should come after the former. However these projects may for example, because of the availability of the required expertise have all feasibility studies completed and financing available. Given the need for maintaining activity in the economy and other considerations as capital flows and government revenue flows, these lower level priority projects are implemented out of sequence. The EDU needs to find ways to accommodate the fact that investment decisions are made continuously and not at a discrete time. Perhaps one workable choice may be to set discrete periods for investment decision making say once every four months and attempt to coordinate relationships with regional and international finance agencies within this schedule. This is effected in a partial manner with some agencies; though there is considerable resistance from some others.

- 4.8. The PSIP is influenced by the purposes for which resources are accessible. The perceptions, mission reports and the prospectus of aid donors and loan sources influence priorities. Often their purposes do not reflect the particular requirements of Dominica though they may reflect the general requirements of the OECS sub-region or the CARICOM region as a whole. Often for example an issue may require several varied approaches within the region rather than a regional blanket 'solution' which may not meet the specific needs of Dominica and/or other economies within the (sub)region.
- 4.9. The incomplete nature of Sector Papers at this time, is a major constraint on the PSIP process. For example the Agricultural Sector Paper has not yet been able to treat with the related marketing or agro-processing considerations for the crops identified for special attention, such that production and marketing could be more readily integrated. Considerable work is still to be carried out to attempt to quantify returns from the activities suggested by the paper. This however is not a criticism; it is rather a recognition of the necessary gradual development of the requisite skills and the internalization of the planning process at both EDU/core agency and implementing agency levels.

4.10. The persistent resistance by some line agencies, to the view that though the EDU, as a core agency, has the responsibility for planning, coordinating, monitoring, and evaluation of development plans strategies, programmes and projects at the national level, these elements are essential components of the management function of every Ministry/Department for the sector activities within their respective portfolios.

4.11. The shortage of trained and skilled personnel in both core and lines ministries.

5. Proposed Solutions (Choices)

5.1. We must, with some critical introspection, identify gaps and/or omissions in data, analysis, technical and managerial ability and other requisites which may inform the design and content of work plans and of technical assistance programmes over the medium term.

5.2. While different Ministries are operationally self-contained, coordination of the public sector investment activities of these ministries with the related activities of the Ministry of Finance and Development requires the strengthening of existing institutional arrangements within all core and line ministries and departments. One proposal central to this objective, is that all ministries/departments receive technical Assistance (& technology) to establish the Core Management Units referred at paragraph 3.5.

5.3. Review of existing PSIP related information collection systems, and of the project database capability to generate information for decision makers at different levels.

5.4. The establishment of improved information systems in line ministries e.g. re sectorial contribution to national objectives and those of other sectors.

5.5. Training of core and line ministry personnel including senior management in PSIP and data base usage skills. Special training of the appropriate levels, is required in the presentation of information in a manner most useful for decision makers especially the political directorate.

- 5.6. Closer interaction and between the Economic Development Unit and the Central Statistics Office. This is required both with respect to planning and related activities and in project cycle requirements. For example the EDU and the CSO have had initial discussion with respect to project related sample surveys and base line surveys for the evaluation of project outcome or impact as different from output.
- 5.7. Clearer definition of the role of government and the public sector vis-a-vis the role of private sector at the changing phases of the national development process. E.g. the role of government, through the Dominica Export Import Agency (DEXIA), as "entrepreneur" in a situation where the private sector entrepreneurial expertise is either essentially in distribution, or entrepreneurs are still at a small scale of operation and do not yet have ready access to financial and other resources, e.g. as information.
- 5.8. Strengthening the existing mechanisms for dialogue between the public and private sectors. There exists a Policy Review Committee and Task Force. Their annual agendas could usefully be designed to contribute more directly to the Planning and PSIP processes.
- 5.9. Utilization of the Committee of Permanent Secretaries as a forum for dialogue on development issues, the articulation of objectives and seeking to establish common ground with respect to the relative importance of these objectives and the sectors within which they fall. A very useful role would be the submission to the political directorate of a "proposed" priority list of all projects (initially at the annual budget level) for the PSIP.

GUYANA**PUBLIC SECTOR INVESTMENT PROGRAMMING
"THE GUYANA EXPERIENCE"****Godphrey W. Williams ***

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INTRODUCTION

Guyana's current PSIP began with the Economic Recovery Programme (ERP) 1989. Among these policies outlined in a Policy Framework Paper (PFP) prepared by the Government of Guyana and IMF/WB, establishes specific guidelines for the preparation of the PSIP.

Guyana had earlier attempted to manage a PSIP during 1981-82. However, with a declining GDP and an increasing fiscal deficit leading to an unmanageable debt burden, and accelerated inflation, the programme was aborted. During the ensuing years leading up to 1989, by way of budgetary programming, efforts were made via the annual capital programme for the Central Government and Public Corporations, to address the infrastructural deterioration and the decline in productivity within the fledgling economy.

The task in 1988-89 was, how to formulate a programme in cognizance with the Annual Capital Programme, which had had a bias towards the productive sector in order to improve foreign exchange earning to meet international commitments.

The criterion was weighted towards economic projects at the expense of the social infrastructure. There were donor preferences as well as political necessities, not to mention the disregard of project impact on the present and future debt burden. The Public Corporations, although lacking financial management, were having ambitious expansion programmes which were never achieved. It was amidst this quandary that a PSIP was culled in accordance with the IMP's strict demand policies. The World Bank, along with the Caribbean Development Bank (CDB) provided a number of missions during 1988-89 in order to get agrip on the macro-economic variables which would inform the size and format of a PSIP, conducive to the ERP.

In 1989, a PSIP was drawn from the capital expenditure programme. Submissions were made by Ministries, Regional Democratic Councils, Public and Independent Corporations and other agencies. However, it was soon realized by the World Bank/IMF that the programme was too large in content when considering the state of the economy. A revisit to the programme was therefore necessary in the context of the nations's absorptive capacity and domestic resources. What followed was the pruning of the programme to the IMF's level of expenditure for the year, which was to be monitored

by them in accordance with the Structural Adjustment Programme (SAP) which necessitated a high degree of management on expenditure controls.

With the focus on divestment, the private sectors will play a major role in the development of the productive sector, leaving Government to concentrate on the physical social infrastructure, thus assisting a balanced development process.

THE PRESENT FUNCTIONING OF THE PSIP

The functioning of the present PSIP highlights a very imbalance situation in terms of national development. Investment is focused towards economic projects at the expense of the social infrastructure. All indications are that the size of the present programme is too large. There is good reason why it has grown large over the years, though doubts exist as to whether an economy, experiencing stagnant or declining growth rates and a sizable debt overhang, may be able to sustain such a programme. Nevertheless, the present needs have to be met in order to shake the system out of its present stagnation.

In 1990, the largest share of public investment went into mining, followed by transport and agriculture, while sections such as housing and community service received the lowest share.

A further important feature of the existing PSIP is that it is dominated by a few large projects. To use the 1990 expenditure pattern as an indication, the following nine projects, each of which claimed over G\$100 million, added up to about 80 per cent of the total Public Sector Investment.

NAME OF PROJECT	TOTAL EXP. IN 1990 G\$Mn
1. GAIBANK - Agricultural Credit	383.0
2. GUYSUCO (Field and Factory Rehabilitation	279.0
3. GUYMINE Capital Works	1 177.7
4. GEC Power Stations	205.9
5. Guyana Telecommunication Corp.	296.2
6. Mabura/Lethem Road	594.4
7. Rural Water Supply	145.0
8. Infrastructure Rehabilitation (Sea Defense)	288.8
9. GEC 5.7 MW gen. set	175.6

Similarly, there were thirty-seven (37) projects recording expenditures of over G\$10 million. Their total expenditure added up to about 99.5 per cent of the total. As far as external financing of the programme is concerned, 75 per cent was obtained in 1990 and a projection of 71 per cent is forecast for 1991. Appendix "A" shows the format used to manage the programme on a quarterly basis in accordance with the IMF conditions of expenditure levels.

The management of the PSIP is the responsibility of the State Planning Secretariat. A control mechanism of expenditure allocation is vested in a Capital Releases Funds Committee, chaired by the Chief Planning Officer or his delegated representative. The committee comprises representatives from the Ministry of Finance, Officer of the Budget, the Accountant General's office, sectoral planners of the State Planning Secretariat and those persons of the executing agencies representing the request. The committee's recommendation is informed by the project status report as confirmed by the State Planning Secretariat's Project Cycle Unit, which has the responsibility for monitoring the PSIP.

Selected projects with the PSIP are reported to a Monitoring Sub-committee in the Office of the President, which is chaired by the Honorable President. All aspects of the projects are discussed to ensure that they achieve their targets. The PSIP is reviewed quarterly by the Project Cycle Unit of the State Planning Secretariat in order to make all the necessary adjustments to Cash Flows and targets in keeping with the macro economic targets. These adjustments are made in conjunction with the executing agencies and helped by the process of rolling implementation from current to the proceeding year, having being constrained by expenditure levels.

IDENTIFICATION OF CONCRETE PROBLEMS AND CONSTRAINTS IN THE PREPARATION AND IMPLEMENTATION OF THE PSIP

With an economy of inadequate domestic savings, massive migration of the young, educated and skill population and the growth of an informed economy, the problems for a PSIP in such an environment are numerous. They can best be categorized as problems and causes.

A. PROBLEMS

1. Behind Schedule - Physical Achievement
2. Over-expenditure
3. Unapproved Variations - Financial
4. Unapproved Variations - Physical
5. Threatened demise
6. Threatened dislocation

B. CAUSES

1. Foreign Inflows - Not received
2. Untimeliness - Counterpart funds
3. Inadequacy - Local Funds
4. Untimeliness - Procurement mechanisms
5. Inadequacy - Local physical inputs
6. Monitoring and execution weaknesses
7. Inadequacy - management
8. Inadequacy - Skilled labour
9. Inadequacy - Unskilled labour
10. Preconditions not met
11. Disputes
12. Inadequate design
13. Special issues (bureaucratic target population)

C. CONSTRAINTS

The economy continues to be plagued by many of the problems which it was attempting to address from as early as 1988. Prominent among the reasons for the situation are, our failure in 1988 to secure financing for a range of key projects, the changes in the composition of the PSIP which have occurred between 1988 and 1991 as projects were phased and rephased, the failure of the PSIP over the years in question to address certain types of projects which were associated with the limited availability of domestic counterpart funds, donor's inflexibility regarding the use of counterpart funds generated from the sale of balance of payments support items, the economy's constrained absorptive capacity and the modest resources garnered from the Social Impact Amelioration Programme (SIMAP).

The donor's preconditions to disbursement of funds, means project implementation delays in an environment of escalating cost and scarcity of inputs resulting in nil achievement.

The executing agencies in their haste to meet project schedule implementation, embark on poorly conceived methodologies highlighting the weaknesses in their institutions.

PROPOSED SOLUTION

What may be needed is a long term view of the programme, adjusting its size and sectoral composition in a way that informs optimally to the overall development objectviness of the nation.

Improvement to the sectoral composition of the programme requires long term as well as short term action. Sector study and strategies will identify problems and constraints, sectoral goals and objectives, propose policies and identify the investment requirements and options. It would be necessary to obtain agreement on the strategy at the highest decision-making level. Once completed, it would determine the overall character of the future PSIP.

The sectoral classification can be along the existing lines. Sector strategy would provide the basis for the choice of project for the period ahead. Once a pipeline of projects are built up, the project ranking criteria already available may be used to rank them within each sector. This process is essentially a way of building up a sectorally balanced PSIP.

Sectoral strategies however useful are time consuming, as such it would be necessary to have some alternatives for the interim period. In the case of Guyana, the key sectors can easily be identified. The problem is basically one of determining in some reasonable way, how to share the investible resources in the absence of an automatic formula. Informed judgement of the planners will bring about a rationale for sector allocation. A core programme should be formulated against criteria in a decending order of importance such as:

- (a) The most essential projects which are needed for survival.
- (b) Projects which are necessary to maintain the present supply of the most basic needs.
- (c) Projects which are essential in the immediate period to get the country out of an existing crisis.
- (d) Projects which are considered the minimum, necessary for return to 'normal' level of economic and social activities. (A previously attained level).
- (e) Projects required to reach increasingly higher rates of growth.

PROJECT APPROVAL PROCEDURE

The following recommendation is put forward in view of the fact that the State Planning Secretariat should play an enhanced role in the matter of the approval of new projects.

The rationale for the proposal is that a well balanced and planned programme of public sector investment can result only if the projects that are admitted, go through a proper screening procedure to ensure their conformity to the overall sectoral objectives.

The importance of the State Planning Secretariat's involvement was recognised by the World Bank, resulting in an Institutional Strengthening Programme for the PSIP, funded by them via UNDP. It is proposed that projects for admittance into the PSIP should be screened through a two state procedure, commencing from the project idea. The agency which identifies with the project idea must first have the State Planning Secretariat's approval with regard to its conformity with the overall macro economic plan. If approved, a feasibility and/or prefeasibility study is recommended, based on the results of the study. The State Planning Secretariat would forward same to Cabinet with their recommendation for final approval. After final approval is given, the project goes into the pipeline. This means that under normal circumstances, the final approval does not guarantee automatic funding, unless a specific decision is made by the government to give it precedence over other projects in the pipeline.

It is proposed that a brief planning document which presents the PSIP in the context of the current overall policy framework, containing medium term (3 years) outlook for the economy, resources available for public sector investment and planned PSIP expenditure, be prepared and updated annually on a rolling basis. It may be regarded as an investment plan for the public sector which incorporates indicative targets for the whole economy.

The main advantages of preparing such a planning document are:

- (a) It helps to place the PSIP in the wider context of the overall economic development.
- (b) It promotes discussion and helps to highlight important policy issues. Inconsistencies, if any, are likely to surface in the process of its preparation.

- (c) It keeps the main participants in the development process -line agencies, the regions, the private sector donor community and the general public informed of the policies as they relate to the PSIP.

Such a document has the potential to develop into an authoritative instrument of the Planning Commission to communicate its advice, directions and guidelines to the other organs and agencies of the Government as envisaged in the Planning Commission Act.

A SUGGESTED PLAN FOR THE PSIP DOCUMENT

The document will consist of a number of chapters, a set of statistical tables showing a three (3) year expenditure programme and one appendix containing the public sector project profiles on the standard format. A second appendix containing summary project profiles for the projects in the pipeline may be added.

The chapters may be brief treatments of selected topics relating to the programme. Each chapter may contain a review of what has happened in the last three (3) to five (5) years. Discussion should be preferably illustrated with statistical tables, graphs and diagrams.

A possible outline for the various sections of the document is given below:

INTRODUCTION

A general survey of development objectives, the main trends in policy.

Chapter 1

The overall economy, economic and social policies and the public sector. These topics may be discussed by reviewing the areas of domestic production, international trade, international payments including external debt, servicing the central government budget, and the other public sector including the public enterprises. Some discussion on prices and monetary developments may also be added if considered important.

Tables and/or graphs depicting the resources and their utilization in the overall economy (GDP, Imports, Exports, Consumption, GDCF, Savings) and resources available to the Government and the non-financial public sector for investment, are to be included. These will attempt to show as far as possible the historical data and a three (3) year projection for the plan period.

Chapters 2 to 5 (say), Dealing with Selected Sectors

These may be developed on the following general format:

- (a) The significance of the sector to the economy: contribution to total production, trade, consumption, general welfare, etc. A review of performance of the sector in the last three (3) to five (5) years.
- (b) Goals and objectives of development.
- (c) Policies, strategies and investment requirements.
- (d) Contribution expected from the projects currently in the PSIP. The role of the private sector.

Chapter 6: The PSIP

A general discussion of the whole policy relating to the PSIP.

- (a) A brief introduction to PSIP, guidelines for project identification and selection. Criteria for ranking of projects.
- (b) The Core Programme and the underlying principles.
- (c) The nature of required foreign funding and assistance.
- (d) Measures taken to improve the effectiveness of the programme.

Statistical Tables: The PSIP Expenditures and Financing

- (a) Table 1 showing basically the following in a summary:

- (i) Total Capital Expenditure in the Public Sector (this has to be consistent with the resources picture presented in Chapter 1).
- (ii) Adjustment for transfers to the private sector, etc.
- (iii) Net public sector capital formation.
- (iv) Financing of public sector capital expenditure.

A series of tables following this could be a detailed presentation of the PSIP preferably classified by ongoing and new, as well as by sectors. The existing classification with marginal modifications may be used for this purpose.

For each project, the actual expenditures in the base year, and the planned expenditure for the next three (3) years are to be shown.

Financing of expenditures may be shown as in the present format.

GUYANA: PUBLIC SECTOR INVESTMENT PROGRAMME, 1991
(12 November, 1991)

Projects	Exec	January - March Exp			April - June Exp			July - Sept Exp			October - Dec Exp			1991 Revised Budget		
		Total	Specific	Local	Total	Specific	Local	Total	Specific	Local	Total	Specific	Local	Total	Specific	Local
TOTAL PSP		851.134	378.858	472.276	1178.117	603.576	574.541	1788.156	958.242	838.914	3377.500	2335.745	1041.755	8083.234	4682.828	3400.408
TOTAL TRANSFERS		504.228	81.228	423.000	175.744	148.044	27.700	154.857	0.000	154.857	684.540	684.540	0.000	2800.048	2105.298	484.750
Transfers to Corporations		300.000	0.000	300.000	7.700	0.000	7.700	2.780	0.000	2.780	0.000	0.000	0.000	688.890	351.850	315.000
GAIBANK		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	351.850	351.850	0.000
GUYNINE		300.000	0.000	300.000	0.000	0.000	0.000	2.780	0.000	2.780	0.000	0.000	0.000	300.000	0.000	300.000
NECCOL		0.000	0.000	0.000	7.700	0.000	7.700	0.000	0.000	0.000	0.000	0.000	0.000	14.000	0.000	14.000
GOMFB		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.000	1.000
Transfers to Private Sector		204.228	81.228	123.000	188.044	148.044	20.000	151.087	0.000	151.087	684.540	684.540	0.000	1833.198	1753.448	178.750
GAIBANK		180.042	57.042	123.000	188.044	148.044	20.000	150.832	0.000	150.832	0.000	0.000	0.000	923.928	744.178	178.750
Guarantee - Private Sector		0.285	0.285	0.000	0.000	0.000	0.000	0.285	0.000	0.285	0.000	0.000	0.000	0.285	0.285	0.000
Agri - Rehab I		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	200.000	200.000	0.000	394.200	394.200	0.000
GAIBANK		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	407.560	407.560	0.000	475.042	475.042	0.000
Fisheries Equip. Facility		23.921	23.921	0.000	0.000	0.000	0.000	0.000	0.000	0.000	58.980	58.980	0.000	138.781	138.781	0.000
TOTAL		1355.382	480.086	885.276	1353.861	751.820	602.241	1841.300	958.242	885.057	4042.040	3000.285	1041.755	10883.280	6798.124	3885.198
Ongoing PSP		1020.837	480.086	560.550	1258.658	751.820	508.038	1552.010	958.242	958.787	3723.889	2740.005	985.883	6544.134	6281.144	3282.890
Economic Service		820.390	440.878	378.385	981.337	681.514	308.823	1388.828	880.078	488.739	2838.454	2154.474	803.980	7471.063	5083.797	2387.287
Agriculture Forestry & Fishing		515.827	281.408	254.922	384.278	251.174	143.103	335.208	65.544	288.668	1414.047	881.808	522.241	3304.277	2101.888	1202.278
National Agri Research Institute (NARI)		0.800	0.800	0.000	18.287	15.850	0.337	55.091	53.381	1.710	27.508	28.808	0.800	88.198	85.558	3.637
GAIBANK		327.205	204.206	123.000	118.110	98.110	20.000	150.832	0.000	150.832	407.560	407.560	0.000	1088.623	916.873	178.750
Forestry Studies		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.500	1.500	0.000	3.500	3.500	0.000
Misc. Grillage & Irrigation Works		0.122	0.000	0.122	0.733	0.000	0.733	0.638	0.000	0.638	0.165	0.000	0.165	1.483	0.000	1.483
National Land Registration		0.200	0.000	0.200	0.200	0.000	0.200	0.000	0.000	0.000	0.060	0.000	0.060	0.000	0.000	0.580
Drainage and Irrigation (Region)		0.125	0.000	0.125	0.414	0.000	0.414	1.556	0.000	1.556	0.338	0.000	0.338	2.148	0.000	2.148
Agri. Dev./Equipment (Region)		1.277	0.000	1.277	1.200	0.000	1.200	0.440	0.000	0.440	0.165	0.000	0.165	3.883	0.000	3.883
East Bank Essequibo Dev. Project		13.888	8.288	5.600	11.213	0.000	11.213	15.013	4.578	10.434	22.202	15.070	7.132	84.118	48.738	34.378
**GUYSUDO - Factory Rehab.		115.500	25.000	90.500	172.800	115.100	57.700	47.200	0.000	47.200	0.000	0.000	0.000	681.838	383.348	298.293
**GUYSUDO - Agri. Equipment		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	723.858	271.700	451.858	785.408	333.450	451.858
Mahela - Mahela - Agri. Project (MMA)		12.058	0.000	12.058	28.275	12.331	13.944	21.000	0.000	21.000	28.247	13.247	13.000	89.895	28.898	60.798
Black Bank Polder Rehabilitation		9.000	0.000	9.000	12.820	0.000	12.820	27.378	7.584	19.795	110.200	90.000	20.200	186.820	120.000	66.820
Rehab. of Drainage & Irrigation Areas		7.000	0.000	7.000	17.988	7.088	10.900	13.887	0.000	13.887	14.100	7.000	7.100	68.788	28.888	38.800
Arsenal Fishery (Coastal)		4.840	0.000	4.840	14.354	1.584	12.760	0.000	0.000	0.000	22.302	3.840	18.562	85.438	14.474	50.962
Geodetic Survey		0.200	0.000	0.200	0.150	0.000	0.150	0.375	0.000	0.375	0.045	0.000	0.045	0.770	0.000	0.770
Fishery Equipment Facility		23.931	23.931	0.000	0.000	0.000	0.000	0.000	0.000	0.000	58.980	58.980	0.000	140.121	138.771	0.350
Artificial Insemination Program		0.000	0.000	0.000	0.000	0.000	0.000	0.630	0.000	0.630	0.000	0.000	0.000	0.630	0.000	0.630
National Padi & Rice Grading Center (NPRGC)		0.000	0.000	0.000	0.832	0.000	0.832	1.159	0.000	1.159	1.118	0.000	0.118	3.837	0.000	3.837
Manufacturing		28.373	0.000	28.373	18.585	0.000	18.585	50.486	23.753	26.733	401.982	321.752	80.200	612.118	412.238	198.880
Guy. Manuf. & Indus. Dev. Agency (GUYMIDA)		0.950	0.000	0.950	0.900	0.000	0.900	0.900	0.000	0.900	10.552	10.502	0.250	28.502	23.502	3.000
Guyana National Engineering Corp. (GNEC)		2.238	0.000	2.238	2.884	0.000	2.884	8.815	0.000	8.815	1.588	0.000	1.588	11.220	0.000	11.220
GNEC Works I		0.745	0.000	0.745	2.378	0.000	2.378	23.753	0.000	23.753	0.102	0.000	0.102	5.173	0.000	5.173
Sales & Package Industries Ltd. (SAPIL)		20.148	0.000	20.148	3.813	0.000	3.813	11.730	0.000	11.730	388.182	311.450	77.715	552.360	388.738	163.824
SAPIL - Other Capital Works		5.282	0.000	5.282	7.028	0.000	7.028	5.088	0.000	5.088	0.587	0.000	0.587	18.883	0.000	18.883

Projects	Exec	January - March Exp			April - June Exp			July - Sept Exp			October - Dec Exp			1991 Revised Budget		
		Total	Specific	Local	Total	Specific	Local	Total	Specific	Local	Total	Specific	Local	Total	Specific	Local
Mining		101,715	101,215	0.000	381,807	308,430	56,177	827,350	735,720	91,830	627,862	503,757	123,635	2,150,884	1,559,900	950,984
GUAYANA - Capital Works	RPS	100,850	100,850	0.000	381,007	308,430	54,577	823,200	735,720	87,480	595,233	503,757	91,478	1,901,848	1,559,933	942,213
GUAYANA - Capital Works	RPS	0.000	0.000	0.000	0.000	0.000	0.000	2,760	0.000	2,760	31,612	0.000	31,612	123,304	0.000	123,304
GUAYANA - Barges	RPS	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	120,985	0.000	120,985
Quarries - Guyana National Service (GNS)	CG	0.500	0.000	0.500	0.800	0.000	0.800	1,125	0.000	1,125	0.847	0.000	0.847	4,473	0.000	4,473
Quarries - Private Sector (PP)	CG	0.295	0.295	0.000	0.000	0.000	0.000	0.295	0.000	0.295	0.000	0.000	0.000	0.295	0.295	0.000
Power		98,463	78,355	18,107	25,980	0.000	25,980	17,988	0.000	17,988	279,713	260,046	19,667	572,041	479,984	92,056
Power Extension (Regional)	CG	0.000	0.000	0.000	2,982	0.000	2,982	0.000	0.000	0.000	0.000	0.000	0.000	2,982	0.000	2,982
Petroleum Explo Promotion Project	CG	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	3,754	0.000	3,754	19,073	16,734	2,339
Hydropower Division	CG	0.000	0.000	0.000	0.130	0.000	0.130	0.000	0.000	0.000	0.000	0.000	0.000	5,045	2,708	2,338
GEC - Power Station	RPS	93,775	78,355	15,420	22,548	0.000	22,548	17,558	0.000	17,558	273,979	258,312	19,667	534,614	480,544	74,070
GEC - 5.7 MW	RPS	1,149	0.000	1,149	0.078	0.000	0.078	0.005	0.000	0.005	0.000	0.000	0.000	1,225	0.000	1,225
GEC - Other Capital Works	RPS	1,538	0.000	1,538	0.214	0.000	0.214	0.428	0.000	0.428	0.000	0.000	0.000	8,902	0.000	8,902
Transportation & Communication		54,948	0.000	54,948	182,770	123,910	58,860	53,916	8,981	44,825	188,048	155,795	30,283	890,061	437,875	223,216
Guyana Post Office Corp. (GPOC)	RPS	0.377	0.000	0.377	2,984	0.000	2,984	0.508	0.000	0.508	3,438	0.000	3,438	8,841	0.000	8,841
Timekri Airport	CG	7,000	0.000	7,000	11,000	0.000	11,000	12,000	0.000	12,000	8,000	0.000	8,000	42,000	0.000	42,000
Stellings & Wharves	CG	1,117	0.000	1,117	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1,748	0.000	1,748
Demerara Harbour Bridge	CG	8,433	0.000	8,433	10,967	0.000	10,967	23,088	8,981	14,075	22,084	13,700	8,394	85,189	46,700	38,489
Equipment - Civil Aviation	CG	3,000	0.000	3,000	2,040	0.000	2,040	3,980	0.000	3,980	0.000	0.000	0.000	8,000	0.000	8,000
Guyana/Suriname Ferry Project	CG	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1,511	0.000	1,511
Hinterland Airports	CG	0.280	0.000	0.280	0.780	0.000	0.780	0.100	0.000	0.100	0.000	0.000	0.000	0.000	0.000	0.000
Land and Water Transport	CG	3,382	0.000	3,382	5,817	0.000	5,817	5,577	0.000	5,577	0.000	0.000	0.000	9,841	0.000	9,841
Reconditioning of Ships	CG	1,000	0.000	1,000	2,000	0.000	2,000	0.600	0.000	0.600	0.400	0.000	0.400	4,000	0.000	4,000
Navigational Aids	CG	0.000	0.000	0.000	0.758	0.000	0.758	0.528	0.000	0.528	0.000	0.000	0.000	1,284	0.000	1,284
Roads (Regional)	CG	2,355	0.000	2,355	10,438	0.000	10,438	6,331	0.000	6,331	3,072	0.000	3,072	23,007	0.000	23,007
Ferry Services	CG	0.200	0.000	0.200	2,110	0.000	2,110	0.000	0.000	0.000	17,085	0.000	17,085	19,375	19,375	0.000
Reconditioning of Ferry Vessels	CG	2,000	0.000	2,000	0.000	0.000	0.000	0.000	0.000	0.000	0.853	0.000	0.853	2,910	0.000	2,910
Bridges	CG	3,822	0.000	3,822	8,988	0.000	8,988	1,648	0.000	1,648	1,328	0.000	1,328	23,170	0.000	23,170
Mabarufetham Road	CG	10,000	0.000	10,000	121,800	0.000	121,800	0.000	0.000	0.000	128,000	0.000	128,000	368,800	371,800	25,000
Carpo Vessel Spares	CG	1,000	0.000	1,000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1,738	0.000	1,738
Georgetown - Georgetown Timekri Road	CG	10,000	0.000	10,000	5,770	0.000	5,770	4,800	0.000	4,800	3,100	0.000	3,100	27,700	0.000	27,700
Water		21,937	0.000	21,937	10,139	0.000	10,139	81,878	46,070	35,908	49,001	21,348	27,653	170,882	92,000	78,882
Water Improvement	CG	0.625	0.000	0.625	0.625	0.000	0.625	0.484	0.000	0.484	14,325	13,700	0.625	32,040	28,540	2,500
Mining		300,000	0.000	300,000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	314,460	0.000	314,460
GUAYANA - Vehicles	RPS	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	14,460	0.000	14,460
GUAYANA - Others	RPS	300,000	0.000	300,000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	300,000	0.000	300,000
Power		0.002	0.000	0.002	0.050	0.000	0.050	0.322	0.000	0.322	0.424	0.000	0.424	8,854	0.000	8,854
GEC - Other Capital	RPS	0.002	0.000	0.002	0.050	0.000	0.050	0.322	0.000	0.322	0.424	0.000	0.424	8,854	0.000	8,854
Transport & Communication		19,240	0.000	19,240	18,385	0.000	18,385	20,440	0.000	20,440	5,717	0.000	5,717	70,204	0.000	70,204
Bridges	CG	0.000	0.000	0.000	0.820	0.000	0.820	0.387	0.000	0.387	0.000	0.000	0.000	1,207	0.000	1,207
Guyana National Shipping	RPS	1,989	0.000	1,989	0.000	0.000	0.000	4,523	0.000	4,523	0.847	0.000	0.847	2,816	0.000	2,816
Guyana Airways Corp. (GAC)	RPS	13,862	0.000	13,862	8,984	0.000	8,984	13,831	0.000	13,831	1,528	0.000	1,528	41,833	0.000	41,833
Guyana National Newspapers Limited	RPS	0.589	0.000	0.589	0.591	0.000	0.591	0.501	0.000	0.501	3,342	0.000	3,342	7,830	0.000	7,830
Land & Water Transport	CG	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Miscellaneous Roads	CG	3,000	0.000	3,000	6,000	0.000	6,000	1,198	0.000	1,198	0.000	0.000	0.000	18,868	0.000	18,868

Projects	Exec	January - March Exp			April - June Exp			July - Sept Exp			October - Dec Exp			1991 Revised Budget		
		Total	Specific	Local	Total	Specific	Local	Total	Specific	Local	Total	Specific	Local	Total	Specific	Local
Water		0.244	0.000	0.244	8.000	0.000	8.000	3.194	0.000	3.194	2.194	0.000	2.194	17.438	0.000	17.438
Environmental Sanitation	CG	0.244	0.000	0.244	8.000	0.000	8.000	3.194	0.000	3.194	2.194	0.000	2.194	17.438	0.000	17.438
General Public Service		5.470	0.000	5.470	14.890	0.000	14.890	11.987	0.000	11.987	23.894	12.330	11.564	88.943	45.690	43.953
Administration & Planning		0.470	0.000	0.470	2.071	0.000	2.071	0.700	0.000	0.700	1.850	1.370	0.480	28.871	23.150	3.821
Institutional Strengthening	CG	0.000	0.000	0.000	0.500	0.000	0.500	0.000	0.000	0.000	1.850	1.370	0.480	24.800	23.150	1.480
Equipment & Furniture	CG	0.000	0.000	0.000	1.571	0.000	1.571	0.700	0.000	0.700	0.000	0.000	0.000	1.571	0.000	1.571
Acquisition of Property	CG	0.470	0.000	0.470	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.470	0.000	0.470
Public Safety		4.800	0.000	4.800	1.823	0.000	1.823	0.000	0.000	0.000	0.017	0.000	0.017	7.204	0.000	7.204
General Registrar Office	CG	0.000	0.000	0.000	0.128	0.000	0.128	0.000	0.000	0.000	0.000	0.000	0.000	0.128	0.000	0.128
Buildings - GDF	CG	0.000	0.000	0.000	0.297	0.000	0.297	0.000	0.000	0.000	0.017	0.000	0.017	0.314	0.000	0.314
Police & Armament	CG	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.594	0.000	0.594
Timberline Fire Hall	CG	4.800	0.000	4.800	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4.800	0.000	4.800
Land & Water Transport - Prison	CG	0.000	0.000	0.000	1.400	0.000	1.400	0.000	0.000	0.000	0.000	0.000	0.000	1.400	0.000	1.400
Other Fixed Investment		0.200	0.000	0.200	10.886	0.000	10.886	11.267	0.000	11.267	22.027	10.980	11.087	56.068	22.840	33.228
Guyana National Printers Ltd. (GNPL)	RPS	0.000	0.000	0.000	4.118	0.000	4.118	0.043	0.000	0.043	2.541	0.000	2.541	8.884	0.000	8.884
GUYOIL	RPS	0.079	0.000	0.079	5.851	0.000	5.851	0.502	0.000	0.502	3.591	0.000	3.591	11.762	0.000	11.762
Guyana Stores Ltd. (GSL)	RPS	0.121	0.000	0.121	1.027	0.000	1.027	10.722	0.000	10.722	4.427	0.000	4.427	9.978	0.000	9.978
Study Expert Fund (SEF)	CG	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	11.468	10.980	0.508	24.444	22.840	1.604
Social Services		2.500	0.000	2.500	2.067	0.000	2.067	0.400	0.000	0.400	44.800	41.100	3.700	96.787	74.100	22.687
SINAP	CG	2.000	0.000	2.000	0.000	0.000	0.000	0.000	0.000	0.000	44.800	41.100	3.700	92.800	74.100	18.700
Guyana Sewerage & Water Comm. Ph II	CG	14.264	0.000	14.264	6.010	0.000	6.010	18.147	9.541	8.606	0.000	0.000	0.000	22.000	0.000	22.000
Pure Water Supply - Guy. Defence Force	CG	0.000	0.000	0.000	0.378	0.000	0.378	0.000	0.000	0.000	0.000	0.000	0.000	0.378	0.000	0.378
Water Supply (Regions)	CG	1.828	0.000	1.828	2.101	0.000	2.101	0.715	0.000	0.715	0.153	0.000	0.153	8.004	0.000	8.004
Rural Water Supply	CG	5.100	0.000	5.100	1.025	0.000	1.025	61.529	36.529	25.000	34.523	7.848	26.675	110.460	62.460	48.000
General Public Service		153.630	0.285	153.695	182.612	9.733	152.879	120.256	39.847	80.409	230.107	82.348	147.759	863.733	187.066	708.667
Administration & Planning		21.783	0.285	21.518	32.278	8.783	23.516	10.057	0.000	10.057	23.046	7.316	15.730	134.478	45.924	88.554
Guyana National Service (GNS)	CG	2.300	0.000	2.300	1.000	0.000	1.000	1.000	0.000	1.000	1.200	0.000	1.200	5.300	0.000	5.300
Government Buildings (Rehab.)	CG	5.300	0.000	5.300	12.243	8.783	3.460	4.135	0.000	4.135	6.850	0.000	6.850	35.733	8.783	26.970
Minor Works	CG	1.133	0.000	1.133	4.100	0.000	4.100	3.000	0.000	3.000	2.410	0.000	2.410	12.843	0.000	12.843
Hydro-meteorological Services	CG	0.180	0.000	0.180	0.500	0.000	0.500	0.185	0.000	0.185	0.000	0.000	0.000	1.000	0.000	1.000
Office & Residences of the President	CG	0.975	0.000	0.975	0.863	0.000	0.863	0.186	0.000	0.186	0.000	0.000	0.000	2.154	0.000	2.154
Buildings - Administration (Regions)	CG	0.738	0.000	0.738	8.860	0.000	8.860	0.315	0.000	0.315	0.000	0.000	0.000	10.680	0.000	10.680
Equipment & Furniture	CG	5.046	0.285	4.761	5.850	0.000	5.850	0.000	0.000	0.000	0.000	0.000	0.812	1.201	0.000	1.201
Technical Assistance	CG	5.610	0.000	5.610	0.000	0.000	0.000	0.000	0.000	0.000	4.658	0.000	4.658	13.151	0.000	13.151
Project Development & Assistance	CG	0.500	0.000	0.500	0.763	0.000	0.763	1.236	0.000	1.236	7.316	7.316	0.000	36.395	36.395	2.469
Public Corporation Secretariat	CG	41.000	0.000	41.000	0.000	0.000	0.000	0.000	0.000	0.000	92.360	0.000	92.360	208.844	0.000	208.844
Contributions to International Agencies		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Multi - Lateral Investment Guarantee Agency	CG	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	3.780	0.000	3.780	7.478	0.000	7.478
Caribbean Development Bank	CG	36.000	0.000	36.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	80.228	0.000	80.228
I.D.A.	CG	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	3.040	0.000	3.040	7.680	0.000	7.680
I.D.B.	CG	3.000	0.000	3.000	0.000	0.000	0.000	0.000	0.000	0.000	18.690	0.000	18.690	86.890	0.000	86.890
I.F.C.	CG	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	17.060	0.000	17.060	27.060	0.000	27.060
I.L.C.	CG	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	8.820	0.000	8.820	16.740	0.000	16.740

Project	Exec	January - March Exp			April - June Exp			July - Sept Exp			October - Dec Exp			1991 Revised Budget		
		Total	Specific	Local	Total	Specific	Local	Total	Specific	Local	Total	Specific	Local	Total	Specific	Local
Public Safety		7,170	0.00	7,170	15,828	0.00	15,828	17,952	0.00	17,952	9,000	0.00	9,000	44,446	0.00	44,446
Office Equipment & Furniture	CG	0.420	0.00	0.420	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.420	0.000	0.420
Buildings (Home Affairs)	CG	0.700	0.000	0.700	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.700	0.000	0.700
Buildings - Prisons	CG	0.800	0.000	0.800	0.450	0.000	0.450	0.150	0.000	0.150	0.000	0.000	0.000	1.400	0.000	1.400
Fire & Ambulance Stations	CG	0.250	0.000	0.250	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.250	0.000	0.250
Police Stations & Buildings	CG	5.000	0.000	5.000	5.305	0.000	5.305	12.800	0.000	12.800	9.000	0.000	9.000	27.305	0.000	27.305
Tools & Equipment - Fire	CG	0.000	0.000	0.000	3.000	0.000	3.000	0.000	0.000	0.000	0.000	0.000	0.000	3.000	0.000	3.000
Equipment - Police	CG	0.000	0.000	0.000	7.071	0.000	7.071	4.502	0.000	4.502	0.000	0.000	0.000	11.571	0.000	11.571
Other fixed investment		83.977	0.000	83.977	114.507	0.970	113.537	92.947	36.947	56.000	145.702	75.032	70.699	505.595	141.142	364.453
Bureau of Standards	CG	0.000	0.000	0.000	0.225	0.000	0.225	0.000	0.000	0.000	0.000	0.000	0.000	0.225	0.000	0.225
GAIBANK - PL 480	CG	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Infrastructure Rehab. Project	CG	59.186	0.000	59.186	95.330	0.970	94.360	81.377	31.270	50.107	95.041	8.072	59.968	333.615	27.202	306.413
SPS/National Planning Project	CG	3.991	0.000	3.991	6.270	0.000	6.270	31.270	31.270	62.540	0.000	0.000	0.000	95.459	0.000	95.459
Statistical Bureau	CG	9.900	0.000	9.900	4.415	0.000	4.415	0.000	0.000	0.000	15.901	15.360	0.541	57.224	42.860	14.364
Inst. of Applied Science & Tech. (IAST)	CG	11.000	0.000	11.000	7.267	0.000	7.267	0.000	0.000	0.000	0.000	4.720	0.000	28.900	5.900	23.000
Social Services		48.347	18.846	29.501	105.708	80.373	45.335	64.928	38.518	26.410	537.328	503.184	34.144	1179.307	990.281	189.026
Education		27.690	18.846	8.844	48.633	28.100	20.533	34.922	20.780	14.142	390.843	356.229	24.614	761.031	655.598	105.432
Carnegie School of Home Economics	CG	0.000	0.000	0.000	0.220	0.000	0.220	0.000	0.000	0.000	0.000	0.000	0.000	0.220	0.000	0.220
Nursery, Primary & Secondary Schools	CG	0.000	0.000	0.000	2.873	0.000	2.873	2.357	0.000	2.357	0.000	0.000	0.000	6.082	0.000	6.082
School Furniture (Education)	CG	0.000	0.000	0.000	0.751	0.000	0.751	0.400	0.000	0.400	0.000	0.000	0.000	1.078	0.000	1.078
Primary Education Project	CG	4.200	0.000	4.200	15.850	9.200	6.650	8.900	0.980	7.920	27.000	20.000	7.000	120.200	92.200	28.000
Human Resource Development	CG	19.911	18.846	1.065	24.890	18.900	5.990	20.700	18.900	351.724	351.724	336.229	15.495	620.864	563.369	57.495
School Buildings (Regions)	CG	2.079	0.000	2.079	4.259	0.000	4.259	3.105	0.000	3.105	0.000	0.000	0.000	10.969	0.000	10.969
President's College	CG	1.500	0.000	1.500	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.500	0.000	1.500
Housing & Community Services		5.747	0.000	5.747	11.400	0.000	11.400	7.598	0.000	7.598	3.069	0.411	2.688	31.872	0.939	31.033
Infrastructure Development & Blding	CG	3.800	0.000	3.800	4.400	0.000	4.400	5.198	0.000	5.198	1.899	0.411	1.588	15.725	0.939	14.786
Youth & Sports	CG	2.000	0.000	2.000	7.000	0.000	7.000	2.400	0.000	2.400	1.100	0.000	1.100	16.100	0.000	16.100
Cultural Centre	CG	0.147	0.000	0.147	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.147	0.000	0.147
Health		12.910	0.000	12.910	45.675	32.273	13.402	22.408	15.738	6.670	153.568	146.544	7.042	398.304	333.753	64.551
Palme	CG	0.000	0.000	0.000	0.900	0.000	0.900	0.400	0.000	0.400	0.000	0.000	0.000	1.000	0.000	1.000
Building	CG	0.500	0.000	0.500	3.000	0.000	3.000	1.900	0.000	1.900	0.100	0.000	0.100	5.500	0.000	5.500
Georgetown Hospital (Health Care II)	CG	11.900	0.000	11.900	38.473	32.273	6.200	17.338	15.738	1.600	153.468	146.544	8.942	371.795	333.753	38.042
Buildings - Health (Region)	CG	0.510	0.000	0.510	2.534	0.000	2.534	2.770	0.000	2.770	0.000	0.000	0.000	4.941	0.000	4.941
Equipment - Health (Region)	CG	0.000	0.000	0.000	3.086	0.000	3.086	0.000	0.000	0.000	0.000	0.000	0.000	3.086	0.000	3.086
New		334.725	0.000	334.725	94.203	0.000	94.203	89.290	0.000	89.290	318.151	280.280	55.871	1148.148	538.980	612.168
Economic Service		328.755	0.000	328.755	77.248	0.000	77.248	76.923	0.000	76.923	247.457	208.850	40.607	962.437	416.890	545.547
Agriculture		5.818	0.000	5.818	24.982	0.000	24.982	12.205	0.000	12.205	224.344	208.850	17.494	488.331	416.890	72.441
Guyana Rice Export Board (GREN)	RPS	0.007	0.000	0.007	0.004	0.000	0.004	0.000	0.000	0.000	0.000	0.000	0.000	0.011	0.000	0.011
Agriculture Rehabilitation I	CG	0.000	0.000	0.000	8.800	0.000	8.800	0.900	0.000	0.900	215.800	200.000	15.800	438.000	394.200	43.800
East Bank Berberie Drainage Scheme	CG	0.000	0.000	0.000	0.620	0.000	0.620	0.000	0.000	0.000	7.060	6.860	0.200	23.960	22.960	1.000
Guyana Rice Milling & Mkt. Auth (GRMMA)	RPS	5.811	0.000	5.811	13.238	0.000	13.238	11.305	0.000	11.305	1.484	0.000	1.484	27.650	0.000	27.650
Guyana - Others	RPS	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Projects	Exec	January - March Exp			April - June Exp			July - Sept Exp			October - Dec Exp			1991 Revised Budget		
		Total	Specific	Local	Total	Specific	Local	Total	Specific	Local	Total	Specific	Local	Total	Specific	Local
Manufacturing		1,452	0,000	1,452	28,169	0,000	28,169	40,782	0,000	40,782	14,779	0,000	14,779	62,351	0,000	62,351
GNEC	PPB	1,184	0,000	1,184	15,424	0,000	15,424	40,353	0,000	40,353	10,533	0,000	10,533	43,055	0,000	43,055
GPC	PPB	0,181	0,000	0,181	1,808	0,000	1,808	0,114	0,000	0,114	0,000	0,000	0,000	2,881	0,000	2,881
Seeds & Package Industries Ltd. (SAPIL)	PPB	0,037	0,000	0,037	1,137	0,000	1,137	0,207	0,000	0,207	2,550	0,000	2,550	6,094	0,000	6,094
NEOCOL	PPB	0,000	0,000	0,000	7,700	0,000	7,700	0,000	0,000	0,000	1,808	0,000	1,808	9,890	0,000	9,890
Guyana Soap & Detergent Co. Ltd.	PPB	0,070	0,000	0,070	0,000	0,000	0,000	0,068	0,000	0,068	0,088	0,000	0,088	0,331	0,000	0,331
Guyana Stockfeeds	PPB	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Education		0,000	0,000	0,000	1,167	0,000	1,167	0,400	0,000	0,400	0,000	0,000	0,000	1,567	0,000	1,567
Critchlow Labour College	CG	0,000	0,000	0,000	0,600	0,000	0,600	0,400	0,000	0,400	0,000	0,000	0,000	1,000	0,000	1,000
David Ross School	CG	0,000	0,000	0,000	0,403	0,000	0,403	0,000	0,000	0,000	0,000	0,000	0,000	0,403	0,000	0,403
Other Equipment	CG	0,000	0,000	0,000	0,164	0,000	0,164	0,000	0,000	0,000	0,000	0,000	0,000	0,164	0,000	0,164
Housing & Community Services		0,500	0,000	0,500	0,900	0,000	0,900	0,000	0,000	0,000	0,000	0,000	0,000	2,400	0,000	2,400
Recreation Facilities	CG	0,500	0,000	0,500	0,900	0,000	0,900	0,000	0,000	0,000	0,000	0,000	0,000	1,400	0,000	1,400
GCMFB	CG	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	1,000	0,000	1,000

JAMAICA**ESTABLISHING A PROJECT DATA BANK:
THE JAMAICAN EXPERIENCE****Barbara Scott ***

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INTRODUCTION

Jamaica like other developing countries must grapple with the problem of making the best use of its scarce resources. It is important, therefore, that resources are firstly, allocated in the most efficient manner and secondly, that they are utilized in a manner which will generate optimal economic and social benefits thus engendering national growth/development. It is widely recognized that projects are one means by which government's development objectives are enunciated.

The Government of Jamaica has taken a decision that the project cycle will be the system through which projects will be developed and implemented in so far as they relate to the Public Sector Investment Programme (PSIP) in order to ensure conformity with macro economic objectives. The project cycle in Jamaica has, been plagued with a number of problems, however. Among these are:

- a shortage of skills in the public sector in the areas of project identification, formulation and appraisal
- a shortage of project management skills and experience
- inadequate levels of counterpart funds to support the implementation of projects

These problems are primarily the result of a depletion of skilled manpower from the public sector and stringent fiscal policies which have had to be adopted by the GOJ. This situation has only served to highlight, however, the need for an integrated computer based system as a tool for maximizing the effectiveness and efficiency of the management of the Project Cycle. The Project Data Bank is such a System.

Rationale

The rationale for its establishment has therefore been:

- firstly the need to provide a system for macro-economic management and for measuring the impact of macro-economic policies.

- secondly, the need for an integrated approach to the implementation of the public sector investment programme which affords the opportunity to effectively co-ordinate projects at all stages of the project cycle
- thirdly, the need to provide a system for the control, review, analysis and assessment of the investment programme to ensure that scarce resources are most efficiently allocated

Design of the PDB

While the need for a computerized information system to support the project cycle in Jamaica was long recognized, initiatives to establish a Project Data Bank began only recently. In 1989, after work was started on the Five Year Development Plan, it was perceived that a mechanism was needed to monitor more closely those projects contained in the Plan. The assistance of ILPES/ECLAC in conjunction with the UNDP was solicited to provide the required technical assistance.

The first mission from ILPES was fielded in 1990. Discussions thus began between ILPES Jamaica on ways to modify the SILPES Programme Developed by ILPES to suit the unique management structure of the Project Cycle in Jamaica.

This was necessary, as no one institution in Jamaica has sole responsibility for the Project Cycle. The Project Management System and Public Sector Investment Programme in Jamaica are essentially managed by three (3) agencies viz the PIOJ, the MOF (Budgets Division) and PAMCO, with the PIOJ focusing on projects at the Pre-Investment Stage while the MOF and PAMCO focus on projects at the Investment Stage. In view of this institutional framework, the PDB which has been developed for Jamaica is a decentralized and modular one. It is a distributed data base, with modules installed at the PIOJ, the Ministry of Finance and PAMCO. Basic information on projects is registered at PIOJ. Information with respect to Financial Support and Project follow-up is entered at MOF, and PAMCO respectively. Additionally, there is a technical assistance module also located at the PIOJ, which registers and tracks technical assistance projects.

How the PDB Works

Data for the Project Data Bank is captured on specially designed data capture forms. These forms collect four (4) main categories of information pertaining to:

- | | |
|--|-----------------|
| - Project & programme summary | - Form 1 and 2 |
| - External financing agreements and proposed financing | - Forms 3 and 4 |
| - Implementation scheduling and project follow-up | - Forms 5 and 6 |
| - Technical assistance | - Forms 8 - 10 |

A total of 10 forms have been designed for this purpose. However, only information contained in five (5) of these forms will have a direct impact on the PSIP, as most of the remaining forms relate to technical assistance projects, most of which are not a part of the Capital Investment Programme.

It is important to note that while the PIOJ, MOF and PAMCO will each be collecting information based on their different functions, each of these agencies will have access to information being registered by the other agencies and will be able to view but not edit this information. In addition, Public Sector offices which do not have copies of the software such as the Project Management Coordinating Unit and BOJ will also have access to the information in the Data Bank. Information will be exchanged by diskettes as there is no electronic link among agencies at this time.

Output

The software has been designed to generate a number of important reports which can better inform the decision making process. The basic reports of the pre-investment module would include:

- a) A listing of projects registered in the PDB and sorted by:
 - implementing agency
 - sectors and sub-sectors
 - stage in the project cycle
 - funding institutions
 - programme
 - location, hence indicating levels of investment by sector/parish

- b) A short profile or summary of all projects
- c) A capital budget impact report utilizing information from Section 12 of Form 1 can also be generated. This would comprise a table which gives yearly capital costs and financing requirements over say a five (5) year period for all or selected projects. This information can be further sorted by sector, implementing and funding agency.
- d) Using information from Section 13 of Form 1, the System can generate a report on recurrent budget implications of selected projects.
- e) The System will also be able to provide information on the aggregate impact of project on selected indicators such as, for example, employment.

For the project follow-up module some basic reports which can be generated are:

- a) An implementation schedule of selected projects
- b) The current or expected status of projects again sorted by implementing institutions, funding agency, economic sector, geographical location, etc.
- c) The System would also be able to generate a jeopardize report which would list projects for which cost over-run or delays are greater than acceptable levels
- d) An implementing efficiency report could also be generated based on information collected on Forms 5 and 6 as the System would calculate for each implementing institution aggregate delay and cost over-run indicators

The software will be able to generate additional reports as required by the user.

1. A report giving Aggregate Annual Operating and Maintenance Costs covering all projects in the PSIP will allow the Ministry of Finance to take into account the recurrent implications for additional capital investment projects during the annual budget exercise. It will also influence decision on the scheduling of implementation of capital projects as well as forcing Government to seriously consider a financing plan for repairs and maintenance of facilities and infrastructure.

The Financial Planning for the repairs and maintenance of facilities and infrastructure during the operational stages of capital projects should reduce the incidence of rapid deterioration of schools, hospitals, clinics, soil conservation structures, roads, markets, water systems and other government buildings, etc. The deterioration of these facilities considerably reduce the long-term benefits of the project and often give a perception of waste of the investment.

2. The geographic distribution of capital investment in the public sector on a sectoral basis will allow planners to see in one report whether the projects being planned will be consistent with geographic and sectoral priorities in terms of the relative share of the capital budget.
3. The detailed information on project description and objectives will allow planners to identify areas of overlap and duplication in the PSIP and will therefore, enable them to make necessary adjustment at an early stage.
4. A listing on project indicators will assist planners in prioritizing projects for implementation on an annual basis. For example, the Data Bank will also be able to show the impact on total employment and/or foreign exchange earnings of the PSIP in current and projected years.
5. Projected cost over-run for individual projecting as well as the aggregated cost over-run for all the projects in the PDB will inform the Ministry or Finance, Development and Planning well in advance of the budgetary implications in both foreign and local currency for on-going projects on a current and projected basis and hence allow that Ministry to plan the financing of these costs.
6. Performance of individual contractors as well as the number of contractors being employed on a sectoral and regional basis This will allow for better selection of contractors based on work load and their efficiency.
7. The total number of funding sources and the funding portfolio of each will allow for analysis and comparison of funding portfolios and funding agencies in the planning and management of the PSIP. This information although available in the files and documents of Government agencies and in individual funding agencies, is not easily retrievable in a report format such as that which would be provided by the PDB.

Benefit of the System

What are some of the benefits to be derived from the System?

- a) Firstly, the Data Bank will help to standardized the information about projects which is supplied by implementing agencies and utilized by decision makers. In many instances, information on a project will vary from one agency to the next, depending on the source of the information. Implementing agencies often complain that they are requested to provide the same information to the PIOJ, MOF and PAMCO. The Data Bank will make it obligatory that categories of information be provided to an agency based on its role in the project cycle.
- b) Secondly, the PDB will collect and store information on projects in one data-base. As a project passes through the various stages of the cycle, information which is generated is sometimes dispersed among agencies. The PDB will ensure that this information is in one database.
- c) Thirdly, the System will facilitate the speedy retrieval of information on projects for decision makers and planners.
- d) Fourthly, the Pogramme will facilitate analysis at the macro and micro levels. As was previously seen, the Data Bank will be able to generate several reports which should assist in *inter alia* (a) monitoring the progress of the PSIP; (b) ensuring that the Investment Programmes does in fact further the government's development objectives and (c) enhancing the planning process by helping to match development objectives with available resources.

Current Status/Constraints

One year after work on the software began the Programme has been installed in all three (3) participating agencies *vis* the PIOJ, MOF and PAMCO. Its has been initiated only in the PIOJ, however. The loading of live data began at the PIOJ in June of this year after the pre-investment module was initiated. To date, a total of 60 (sixty) projects have been registered in the Data Bank. This includes most of the larger capital investment projects. Twenty (20) technical assistance projects have been registered as well as profiles on 33 donors.

A decision was taken to register all externally financed on-going projects initially and then projects which are supported solely by GOJ funds. This decision was based on the fact that more information exists on externally supported projects. Data Capture Form 1 was distributed to key Ministries and Agencies by PIOJ and contact made with project managers and coordinators who were given instructions on completing the form for submission to the PIOJ for registration of their respective projects.

Where possible, in order to expedite the process of registration of data, some forms were completed within the PIOJ. The approach of registering information in the System without the input of Ministries/Agencies is not favored however, for two (2) reasons:

- a) Firstly, it is desirably that sector Ministries/Agencies should take responsibility for the authenticity of the information on their projects which is contained in the Bank.
- b) Secondly, it is important that implementing Agencies become accustomed to the design of the software as it planned to establish a network which will link Ministries and Agencies directly to the System through terminals. Data would then be registered directly into the Data Bank by Ministries hence, negating the need for Data Capture Forms.

Work is at present continuing on refinements to the software and where necessary the remaining data capture forms, especially Forms 4, 5 and 6 which relate to Project Financing, Implementation and Follow-up. Work is also continuing in that aspect of the software which is concerned with generating reports. This is especially important as it is the output of the Data Bank which will underscore its usefulness.

Constraints

The establishment of the Data Bank has not been without its constraints however, chief among these is the lack of human resources to adequately support its implementation.

- a) Within the PIOJ, PAMCO and the MOF because of the limitation of manpower, staff involved with the Data Bank's establishment could not be relieved of their other responsibilities. The lack of dedicated staff has delayed the Bank's implementation.

- b) Within the Sector Ministries and Agencies, some project managers, though conceding that the Data Bank was necessary, felt the need to complete the forms was an added burden given the resource constraints which they also face. This resulted in tardy submission of forms to the PIOJ.
- c) Some difficulties have also been experienced in getting the PDB institutionalized within the PIOJ, PAMCO and MOF, again, because of a limitation on resources. For example, it has taken time to acquire the necessary hardware to support the System.
- d) Lastly, forms submitted for registration have sometimes been incorrectly or inadequately completed, necessitating their revision and thereby further delaying the data collection process.

These difficulties are not however, insurmountable and can be expected when a system of this nature is being established.

Efforts are being made to address these problems as best as possible. Since data collection is critical at this stage, additional human resources have been contracted by the Government for the short term to assist in this regard. Attempts are also being made to secure resources from other donor agencies in view of the positive impact the PDB will have on the Government's Investment Programme.

Outstanding Activities

There is still a need, however, to undertake a number of activities in order to bring the Data Bank to a fully operational stage.

Firstly, there is a need to register all projects on-going and new in the database. The Governments' PSIP contains over 300 projects and of these only 60 are registered. The data collection process will need to be accelerated. This can only be done if there is an infusion of human resources into the PDB exercise. The long term benefits well undoubtedly outweigh the costs.

Secondly, a system will have to be institutionalized within the line Ministries to provide the information requested for loading in the database. That is, there is a need to assign

responsibility and gives priority to this activity in the line Ministries.

Thirdly, the System will need to be properly institutionalized in the PIOJ, MOF and PAMCO in order to facilitate the implementation and on-going operation of the various modules. This is especially so in the case of the PIOJ which will function as overall coordinator of the Data Bank.

Fourthly, training will need to be provided in utilizing the data base and in the wider aspects of project formulation, analysis and management. Discussions are now being held with the IDB on a project aimed at providing institutional strengthening to Core Agencies as well as Sector Agencies. This will involve broad based training in project formulation, project appraisal methodologies as well as the use of the software. It is envisaged that hardware will be provided which will establish a network to link sector directly with the System.

Fifthly, a Procedural Manual for the implementation and on-going operations of the PDB will need to be prepared.

Lastly, additional computer equipment and peripherals will need to be acquired to support the Data Bank and at the end of the data collection exercise, a reconciliation of the information which has been loaded at the PIOJ, MOF and PAMCO will have to take place to check its accuracy.

Future Prospects for the PDB

The future prospects for the full implementation of the PDB are good, in that, the Government has repeatedly through the Deputy Prime Minister and Parliamentary Secretary in charge of projects, reiterated its commitment and support.

This support, however, will need to be translated into an appropriate legal and administrative framework whereby Sector Ministries will be mandated to comply with PDB procedures. This will certainly facilitate the implementation of the outstanding activities which are required to make the PDB fully operational. It is planned to continue discussions on this aspect.

MONTserrat
PUBLIC SECTOR INVESTMENT PROGRAMMING

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INTRODUCTION

The concept of national plans in the Caribbean is the formulation of an all embracing plan which encompasses the macroeconomic framework, sectoral plans and the Public Sector Investment Programme (PSIP).

In the macroeconomic framework, the main variables are the rate of growth, the level of employment, the price level and the balance of payments.

The sectoral plan proposes to put together a number of projects aimed at transforming the sector through the realization of the specific goals and objectives envisaged in the plan. The target therefore is to have carefully programmed and coordinated sectoral policies so that the desired impact is made on the macroeconomic variables.

The formulation of a PSIP is an important facet of development planning. It relates to specific projects in the various sectoral plans in the government's investment programme geared towards achieving sectoral transformation and with a view to creating a positive impact on the macroeconomic variables. This document provides a dynamic framework for reviewing development strategies, programmes and projects and facilitates swift and targeted implementation of the projects and programmes. It can, in fact, be regarded as the first step in the production of a Development Plan.

Project cycle management is important if the PSIP is to be successfully implemented. From the time the project idea is conceived and intense process of identification, preparation, appraisal and monitoring come into play. Some projects do not get beyond the "idea" stage, others are rejected at the stage of appraisal. However, all projects contained in the PSIP should have passed through the full project cycle.

THE MONTSERRAT SITUATION

Montserrat is a small self-governing British Colony with an area of 39,5 square miles (102 sq km) and a population of 12,000. In the early 1980's it became obvious that the plan process in Montserrat needed strengthening. The first step was to create a "Planning Department" (called the Department Unit) which had a wide brief that included development planning, project management and

aid administration among other things. In the early 1980's ad hoc investment programmes were prepared, mainly at the request of Aid agencies. A well documented PSIP was finally prepared in 1985 for the 1985-86 - 1987-88 period. However this document was over ambitious as it proposed a massive list of projects for which no funding was identified. But it had the effect of showing in one document the overall goals and objectives for each sector.

The PSIP operates as the main public planning document and is a presentation of government's capital investment programme in a coherent and integrated manner. It gives a statement of government's priorities, aims and objectives and the measures that are proposed to help further those aims and objectives. The PSIP is normally phased over a three-year period and is a rolling plan.

FORMULATION OF THE PSIP

There are various steps involved in the formulation of the PSIP. The first occurs at the project cycle level where project ideas are conceived. These project ideas go through the project cycle process to be eventually encompassed in a sectoral plan, several of which form the PSIP. Project ideas emanate in part from the political directorate where various policies are passed on to a sector by its Minister. Projects also emerge from recognized needs within the community. There are seven (7) sectors which are divided into inter-Ministerial and multi-departmental operational programmes. Each programme is drafted by an ad hoc working group comprising of concerned departments thus ensuring broad consultation in the formulation of the PSIP. These groups are supposed to meet periodically to update and review the document thus enabling the rolling process to be a smooth one.

THE CURRENT PSIP

Over the past five years, emphasis has been placed on sectoral planning and the PSIP. The PSIP that followed the 1985 document tried to be more realistic but got bottlenecked in the bureaucratic process. Consequently it did not come into effect until 1988. This PSIP (1988-1990) was interrupted by the passage of Hurricane Hugo in 1989. Most of the projects were therefore not implemented as priorities shifted to reconstruction and rehabilitation rather than just new developments. Subsequently, another PSIP was formulated by a group of consultants, but this has never been officially accepted by Government. The state of play now is that there is an informal "PSIP" which is almost totally based on reconstruction and rehabilitation with some infrastructural

improvements deemed to launch the islands's continued development into the 21st century.

INVESTMENT PROGRAMMING AND THE BUDGETARY PROCESS

Public sector investment is listed in the annual estimates under the Development Fund Estimates which follows the listing of recurrent estimates. Ideally, Government's capital expenditure budget should reflect the composition of the PSIP, but in practice this does not occur. Projects and programmes listed in these Development Fund Estimates are only those projects which are on-going and those for which funding is likely to be available. The estimates therefore does not always contain all those projects listed in the PSIP. For example, projects which have not yet been submitted to a funding Agency would not be listed in the Estimates unless it was going to be funded locally. Additionally there are instances where projects appear in the budget which were not at any time listed in the PSIP.

One cannot forget that there should be important links between the capital and recurrent budget. In the recent past, the projects in the PSIP were mainly infrastructural and were perceived to have "little" or no recurrent budget implications. In some cases this notion could be considered accurate on the surface, as the projects were rehabilitative rather than expansionary. However they were mainly rehabilitative because of under financing. In cases where the projects involve some level of expansion, then provision is made for additional expenditure.

PROBLEMS AND CONSTRAINTS IN THE IMPLEMENTATION OF THE PSIP AND PCM

Although there have been various attempts to improve the planning process, various problems have surfaced which prevented successful implementation of the PSIP. These can be examined under 5 broad headings, namely:

1. A weak planning system.
2. Availability of resources.
3. Allocation of resources.
4. Project preparation and appraisal.
5. Project monitoring and control.

The Planning System

One can define the plan process as a means of allocating resources to achieve specific goals in the future. The weakness in the Montserrat planning system stems from the fact that over the past decade there has been no one document which sets out a clear development strategy for Government. The success of any PSIP depends on the level of consistency of the projects contained therein with a long term perspective plan. Unfortunately, there is no yardstick that one can use to determine whether the projects listed in the PSIP are in line with Government's overall sense of direction. Various attempts have been made over the past two years to encourage the sectoral plans, which would eventually form the basis of a long term development plan. The working groups, on whose lot it falls to formulate these plans seem not to have the motivation or the will to do so. Various reasons can be put forward for this lack of motivation. Firstly, there was no selection criteria for the working groups. Those in the group are therefore not necessarily interested in sectoral planning. In other instances, their scope of duties may be such that it is difficult to devote the required time necessary to properly function as a group. Projects are therefore usually developed because of a perceived need - for example where there has been deferred maintenance for a number of years and a road deteriorates to the extent where it is considered basically a new project. In this way one finds the PSIP consisting mainly of rehabilitative rather than new projects. As a result the PSIP has failed to offer the level of sectoral transformation necessary to impact on the overall development of the economy.

Availability of Resources

Sources of funds for the financing of the various projects within the PSIP are largely from external sources. The Montserrat Government has in recent years been able to boast a balanced budget through "prudent fiscal management". There have even been declared surpluses in recent years. (Even though Montserrat is a British Dependency, there has been no budgetary assistance since the late 1970's). While this ideal situation may appear to be the case on paper there are areas which have been deliberately under-financed so as to ensure a balanced budget. This was alluded to earlier when reference was made to the fact that there is usually a high percentage of "deferred maintenance" projects in the capital expenditure programme. Even when surpluses have been declared these funds have not been put towards capital expenditure but rather to increase the wages and salaries of public servants or on investment overseas. The reasoning here is that there was greater

political currency to do. So the situation is that the projects contained in the PSIP can only be implemented if they are funded by an Aid Agency and these funds are limited. Then another problem sometimes arises when Government fails to take cognizance of the need for counterpart financing and/or the current implications of a project. "In-kind" counterpart financing is not usually reflected in the recurrent budget. This creates problems as there is normally some element of cost needed for the local contribution. Enough attention is not paid to the recurrent implications of projects, nor is there any attempt to adequately budget for regular maintenance. This further erodes the impact that scarce resources can have on the development process.

Allocation Resources

Closely linked to the limited availability of resources is the need for proper allocation of these resources. This is important if the effect of these resources is to maximize their contribution towards sectoral transformation and therefore economic growth. However, resources will only be effectively allocated if the investment priorities are in the context of an overall development strategy. This is not the case. But apart from that, one finds that the investment decisions are not based on formal economic analysis but rather done on an ad hoc basis of trade offs among Ministries, departments and sectors. There is no formal system which seeks to rank the projects based on the overall priorities. Projects are therefore implemented which have little or no impact on the development process.

Project Preparation and Appraisal

Project ideas emanate from a perceived need or, where sectoral plans are available, from a desire to effect some transformation of that particular sector. The main problem in this area is that there is a limited number of persons within the public sector that can effectively prepare and appraise the projects. Inevitably the same persons on whose lot it falls to prepare the projects, also performs the necessary appraisals. The larger funding agencies tend to rely on consultants to prepare and appraise the projects rather than on local input.

Project Monitoring and Control

Project monitoring and control is hampered mainly by a lack of motivation and will on the part of those implementing the projects. As a result the PSIP's in the past have not been rolled over as originally intended. There is therefore a lack of continuity which renders the plan process ineffective. Various monitoring systems

have been put in place but nobody bothers to submit the necessary reports. Invariably projects suffer from cost overruns which puts pressure on any additional resources that become available for programming.

SOLUTIONS AND RECOMMENDATIONS

Comprehensive Planning

In the past there has been some skepticism surrounding the production of development plans. This skepticism stems from the fact that the elaborate plans produced in the 60's and early 70's did not produce the level of transformation envisaged in the various economies. However, in the late 70's and early 80's the emphasis has been on sectoral programming and strategic planning coupled with resource based documents integrated with the budgetary process. The growth and development of the Montserrat economy in the 1990's will be dependent of the ability of the public sector to utilize the available resources to transform the various sectors.

There is a need for an overall sense of direction and this can be achieved through the production of a comprehensive plan which encompasses all the elements of the PSIP along with the sectoral plans, monetary and fiscal policy, land use planning, and private sector development. If this is not put in place then the effectiveness of the PSIP as a planning tool will be seriously eroded as investment priorities cannot be established unless there is an overall development strategy to use as guide.

Integration of Plans and Budgets

Then there is a need for the plan process to be fully integrated with the budgetary process. The Capital Budget (Development Fund Estimates) should reflect the PSIP, or to be more realistic, the PSIP Core Programme. This can be achieved through the overseeing of the Development Fund Estimates by the Development Unit in close consultation with the Ministry of Finance and the various Ministries and Departments. These Estimates can become a three-year rolling programme updated each year at the time the capital budget estimates are formulated. The review of the PSIP would then take place at the same time as the budget review, thereby integrating the two processes. It would also be easier to include any recurrent implications of projects and this should in fact be a prerequisite for the approval of funding for projects. Due cognizance must be taken of the maintenance needs and adequate provisions made. The recurrent budget should therefore not

"balance" for the sake of balancing but should represent the levels required to maintain services.

Local Contribution to Investment

Being a small British Dependency it is difficult to access funds from a host of Donor Agencies. For some time to come our major donors will remain U.K., EEC, CIDA and USAID. Government should make some attempt to increase the level of savings to provide additional resources for capital accumulation. This can be achieved by investing any surpluses locally rather than overseas provided of course that the rate of return on the investment is comparable.

Investment Decisions

The projects contained in the PSIP and with its integration with the budgetary process, should be consistent with the overall goals and objectives embodied in the comprehensive plan and should maximize the use of scarce resources. The following recommendations are made:

- a) These projects should be ranked on some acceptable criteria.
- b) Proper appraisals should be performed on each project to ensure a positive rate of return to the economy.
- c) Where the project is in the productive sector there should be some level of financial viability. Subsidies ought not to be encouraged.
- d) Once there is a positive rate of return, then they should be again ranked to obtain a priority listing given the resource constraints.

There are various factors which have to be taken into consideration when determining the ranking criteria for projects. Should projects be ranked across sectors or within sectors? There would be an inherent difficulty in comparing social sector projects with revenue earning ones if the ranking criteria was across sectors. A procedure which gives weights to the major aspects of the stated development strategy would have to worked out so that the maximum return on resources is achieved. This ranked priority list would then form the Core programme of the PSIP which would be the same as the Capital Expenditure Budget as indicated earlier. This process would ensure that the Core PSIP is realistic and

achievable and also that the capital budget truly reflects the stated aims and objectives.

Project Cycle Management

Improvement in the project cycle process can only be achieved through increased training especially in the area of project preparation for line Ministries and Departments. If the onus is put on the line Ministries to prepare the projects, then the Development Unit, no longer shouldering that responsibility, would be in a better position to perform fair and proper appraisals. Training in project preparation should provide better cost estimates and reduce the necessity for cost overruns. Additionally, the training along with the introduction of adequate management information systems would improve data collection and so improve the capability to meet reporting requirements for effective monitoring.

CONCLUSIONS

The Public Sector Investment Programme process in Montserrat has evolved over the last decade from an ad hoc approach to one of more systematic planning. However, there remain many inherent problems and weaknesses which render the plan process both ineffective and inefficient. Instead of being the dynamic planning tool it was meant to be, it has remained a static document of little or no consequence. If Montserrat is to continue along a path of sustained development, then steps will have to be taken to provide some sense of national direction and perhaps this will provide the necessary motivation to put workable public sector investment programmes in place.

NETHERLANDS ANTILLES
EXPERIENCES IN PUBLIC SECTOR INVESTMENT PROGRAMMING AND
PROJECT CYCLE MANAGEMENT OF THE NETHERLANDS ANTILLES

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INTRODUCTION AND DIAGNOSIS

The Netherlands Antilles consist of two groups of Caribbean islands: the Leeward Islands, Curaçao and Bonaire, and the Windward Islands, Saba, St. Eustatius and St. Marteen. The Leeward Islands are located approximately 50 kilometers off the coast of Venezuela and the Windward Islands about 160 kilometers east of Puerto Rico.

The total land area is 800 square kilometers. Curaçao is the largest of the islands. Willemstad on Curaçao is the capital of the Netherlands Antilles and is the host of the Central Government.

The Netherlands Antilles, Aruba and the Netherlands together constitute the Kingdom of the Netherlands. The Dutch sovereign's representative in the Netherlands Antilles is referred to as the Governor, and in each island the chief official is that island's Lieutenant Governor. As an autonomous part of the Kingdom of the Netherlands, the Netherlands Antilles have their own central government. Each island has its own Island Council (Parliament) and is governed by the Lieutenant Governor and the Executive Council.

The population of the Netherlands Antilles is approximately 200 000, concentrated mainly in Curaçao (160 000).

The official language is Dutch, but most people are bi- or trilingual. On the Leeward islands the colloquial language is Papiamentu. In addition most people speak English and Spanish in Bonaire and Curaçao. On the Windward Islands the colloquial language is English.

The Netherlands Antilles is an associate member of the European Community.

In the second half of the 1980's the Netherlands Antilles were having difficulties with the development of the different islands and the management of the project cycle. The main problems were:

- Lack of capacities at the national and island levels to formulate and coordinate macroeconomic development policies.
- Inability to come up with a sufficient number of well analyzed and properly public investment programmes at island levels.

- Unwarranted delays in project execution, and
- Lack of trained staff to carry out economic analysis and implementation of development projects both at national and island levels.

One of the remedies was sought in obtaining an agreement with the United Nations to execute a project that would help to bring these problems to a solution.

This project was part of a broader technical assistance programme aimed at strengthening the financial and planning capacities of the Central Government and the Island Governments to address the problems of economic development, in the context of a structural adjustment strategy undertaken by the Central Government and the Government of Curaçao in the beginning 1986.

Part of the programme was aimed at improving the capacity of the Department for Development Cooperation (DEVCO) of the Central Government and the planning bureaus of the smaller islands to plan and execute economic and social development projects. DEVCO is the planning bureau for the central government while the island territory of Curaçao has its own planning bureau, Social-Economic Planbureau (SEP). Each of the smaller islands also have a planning unit. DEVCO does the coordination for them.

The project was expected to contribute in a critical manner to the efforts of the governments of the Netherlands Antilles to attain and to help the ongoing efforts in the design of solutions for the medium and long term economic growth of the economies of the islands.

Present Functioning of the PIP and PCM

In the cadre of the above mentioned project, Public Sector Investment Programmes (PIP's) were drawn up for the island governments of Bonaire, St. Eustatius and Saba.

For the island government of Bonaire, identification of a project inventory of 72 projects, proposal of two alternative investment strategies, and calculation of costs and benefits from a combined public and private sector effort ranging from 206 to 296 million NAFs in a period range from 7 to 10 years.

For the island government of St. Eustatius, identification of a project inventory of 38 projects, analysis of two alternative investment strategies for a public and private investment drive ranging from 41 to 64 million NAfs in a period range from 7 to 10 years.

For the island Government of Saba, identification of a project inventory of 67 projects, proposal of two alternative investment strategies, and calculation of costs and benefits for a public and private effort ranging from 43 to 72 million NAfs in a period range from 7 to 10 years.

Unfortunately, the policy papers developed for St. Maarten could not be applied to the formulation of a framework for a public investment programme for St. Marteen's Government. The main reason was the dissolution of the political coalition that had taken over the Government of this Island early in July 1991. The new coalition has not yet reconfirmed the previous agreement DEVCO had reached with the previous government to elaborate a public sector investment programme.

The project inventory for the Bonaire, St. Eustatius and Saba taken together amounts to 177 investment projects, worth about 256 million NAfs. This total investment effort would be expected to be matched by a private investment drive, mainly in tourism of the order of 180 million NAfs in the 7-10 year period.

The average expected economic returns for the combined public and private investment effort in the islands, taken together, and under conservative assumptions of tourist inflows, approximates a 10 per cent annual return on the capital invested.

One would easily perceive that the above mentioned programmes would be pretty much cloaked within a development planning philosophy that places the island development planning as subordinate to Central Government or national planning.

This perception, although technically correct from a normative planning point of view, is not in agreement with the constitutional arrangement that binds the islands of the Netherlands Antilles (E.R.N.A.) nor with the Federal Constitution of the Netherlands Antilles (Staatsregeling), which indicate that the planning of economic development is a prerogative and concern exclusively of each of the constituent islands. Interpreted in a different way this statement is indicating that national development planning has no legal basis in the Netherlands Antilles.

Notwithstanding this constitutional difficulty, considerable effort was exerted to pave the way to move towards some sort of voluntary inter-island coordination of development policy and projects, with a national coordinator role played by DEVCO.

After realizing this the efforts were shifted from national development planning to island level development planning.

In this respect DEVCO was able to help to inject some of its activities into the mainstream of national development thinking and into the ongoing work of other Antillean institutions that were actively engaged in finding solutions for the problems of financial adjustment and long term economic growth of the Netherlands Antilles as a whole.

Attempts were also made to initiate or complement the information that was lacking in the project dossiers of the project data bank that DEVCO was trying to put together in a manual file type system. The idea was to build as complete a data-base as possible, in the respective project cycle of each on-going and new project dossiers, in order to facilitate the automation and management of such data.

As for the setting up of an investment information system, the following advances were made.

A special consultant was brought in to appraise the possibilities to install a computerized public investment information system at DEVCO, and further advise on the financial and human resources needed to implement such a system.

This activity was to follow-up on DEVCO's rudimentary project information data bank during the formulation of the Islands PIPs.

The Government decided to postpone the implementation of the consultant's proposal in view of the uncertain financial situation of DEVCO.

Identification of Concrete Problems and Constraints in the Preparation and Implementation of the PIP.

Most of the routine type of problems that planning programmes face in most countries is in the executing, namely political changes and lack of local funding.

For the PIP's to become operational it was necessary that both the Executive and Legislative parts of the island governments give their approval. This process took considerable time. The main

reason for the delay was the island level elections which meant a recomposition of the Executive Councils and the Island Councils (Parliaments) in Saba, St. Eustatius and St. Maarten.

Despite this difficulty the PIP's have become approved by both Executive and Island Councils.

A second important step in preparing operational plans for the islands is to obtain from the Executive Councils a list of priority projects which will feed the public investment pipeline on a yearly basis. These projects must come from the projects inventories of the PIP's that the islands themselves have officially approved.

A third important step in the conformation of operational plans for the islands is the question of financing the PIPs, particularly local financing to support development projects that become operational and/or require maintenance budgets. All of the smaller island governments experience a deterioration of their finances and are unwilling to make future commitments to new investments unless their financial arrangements with the Kingdom of the Netherlands are drastically revised.

This situation has not and does not act favorably towards the implementation objective of the project. Through the PIP strategies the need can be insisted upon to have a tight linkage between the island investment and operational budgets and the PIPs.

At this moment, however, all the constituent islands of the Netherlands Antilles are in the process of discussing a new financial arrangement with the Kingdom of the Netherlands, under which it would be expected, among other things, that the islands would increase their resources to finance and operate development projects.

It is not certain when the new mentioned financial arrangements might take place, as this possibility depends also on the solution of a larger political issue related to the constitutional set up of the present Netherlands Antilles within the Kingdom of the Netherlands.

Changes in the institutional environment and the slow process of transition from the existing project-oriented approach to the programme approach, were the most crucial problems affecting the process of absorption of activities within the main stream of the working methods and planning systems of DEVCO and the Island governments.

In this respect, the Netherlands Antilles show no difference from other countries in the world attempting to deal with the above mentioned problems.

The world crisis of the public sector seems to have found a special strong expression in the weakening of the development planning functions of the central governments, and the tendency for the sub-national political units to strengthening their own planning capacities.

The case of the Netherlands Antilles is consistent with this tendency.

The Netherlands Antilles are presently engaged, and will likely be engaged in many years to come, in a complex process of political devolution from the Central Government to the Island Governments. Under this evolving scenario the Islands are obtaining increasing autonomy in their dealings with the Central Government.

Following the steps of the Island of Aruba who left the Antillean constellation of six islands, all of the Islands that now constitute the Netherlands Antilles are striving for more self determination. In this regard, the future modality and contents of the coordinating functions in economic development of the present central government, appear subordinated to the outcome of the decisions the Islands will take with respect to a new constitutional and financial arrangement among themselves and with the Kingdom of the Netherlands.

Proposed Solutions

At DEVCO some modest manual groundwork has been completed as a preparatory activity for the installation of a computerized investment information system. There should be some kind of follow up for this.

Notably, the building up of some elements of project data organization such as the Data Catchment Forms, which were used to compile the project inventories of the Island PIPs.

As mentioned above a report has been produced in which a consultant presented two alternative proposals for the design and implementation of an investment information system (AIIS) for DEVCO. In 1992 DEVCO will have new physical installations better suited for the technical recommendations of the consultant.

Perhaps the islands improved financial situation may permit them to contribute towards this effort in 1992.

These new potential developments might enhance the feasibility of installing a modern computerized project information system.

In summary, try to build as complete a data base as possible, in the respective project cycle of each ongoing and new project dossier, in order to facilitate the automation and management of such data.

Little has been said about the project cycle management. However activities such as participation of DEVCO employees in training seminars can be of big help to improve this.

These activities are continuously helping to increase the ability of DEVCO's staff to upgrade their capabilities in project-cycle management, and familiarization with the state of art in computer equipment and software.

In summary, try to obtain close cooperation from the Islands planning organizations, non-government organizations, Central government organizations, and get ordinary citizens interested in improving the economic development of their Islands.

Training and public investment programming activities should be given simultaneous attention in order to insure that the technical planning effort would be understood and accepted by the political authorities of the Islands and their representative non-governmental organizations.

The involvement of non-governmental organizations and private citizens in the project cycle management activities, show that the project management succeeds in motivation their interest for helping their governments in planning for economic development.

The preparation of the development strategies and the public investment programmes for the smaller Islands was certainly an important step in this direction. So would be the setting up of a computerized project information system to monitor the planned demand of financial resources versus their actual availability, on a long term basis, at least for the smaller islands taken as a whole.

These above mentioned activities plus other financial strengthening measures that the small Islands are considering at the moment, should constitute an excellent base to assist, also, the present efforts of the development aid agencies of the Dutch

Kingdom and the EEC to improve the allocate efficiency of their development aid towards the smaller islands, where financial and economic returns to investments often show very wide disparities and can not be resolved by the present methods of the project by project approach of dispensing aid.

PUERTO RICO
 PUERTO RICO PLANNING BOARD
 INFORMATION MANAGEMENT STRATEGY
"Four Year Investment Plan Project"
 José Eduardo Villamarzo *

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INTRODUCTION

The role of the Planning Board is evolving and this evolutionary process is an important factor to consider in determining the role that improved information management technologies and techniques can play in supporting the achievement of the Agency's objectives.

The information systems being implemented within the Planning Board are reflecting the dynamics of the organization and are also reflective of the evolutionary process taking place.

This Agency interfaces with a broad spectrum of other government departments and agencies and major opportunities exist for sharing information under the auspices of the Planning Board.

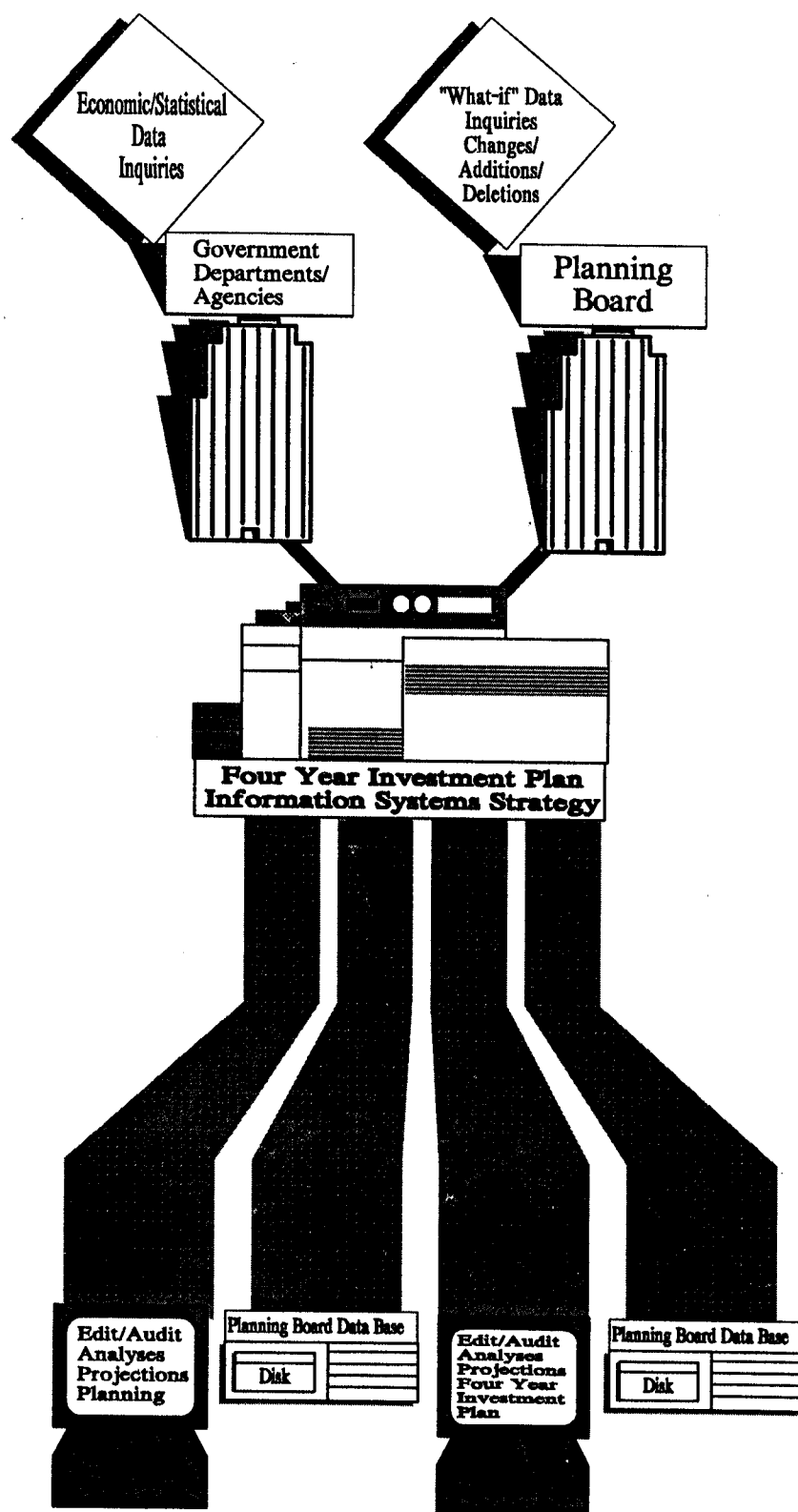
One major responsibility within the Agency is the Four-Year Investment Plan preparation. This Plan is a major report produced by the Planning Board on an annual basis. The Four-Year Investment Plan uses summarized economic and social data from many and varied sources to prepare its forecast for the next four years. This data is incorporated with supporting text into the overall report.

The Planning Board has dedicated the past twelve months leading an intergovernmental committee with the responsibility of designing the best overall information systems strategy to support the preparation of the Four-Year Investment Plan.

SYSTEM OVERVIEW

The information systems strategy to support the Four-Year Investment Plan application will see a high level of integration with management systems, statistical data processing systems and geo-based systems. Component information will be linked electronically with Management and Budgeting Systems in order to assist in preparing the four year-forecasts. Further, in order to support the preparation of the report, the system would be active in an on-line, interactive environment and will support distributed input and access.

This concept as shown in Exhibit 1 will support "what if" analyses over a variety of scenarios as well as supporting both timely and flexible reporting and various statistical analyses. Using office management tools to assemble data in a dynamic environment will greatly assist the preparation, accuracy and timing of the Four-Year Investment Plan preparation.



SYSTEM DEVELOPMENT

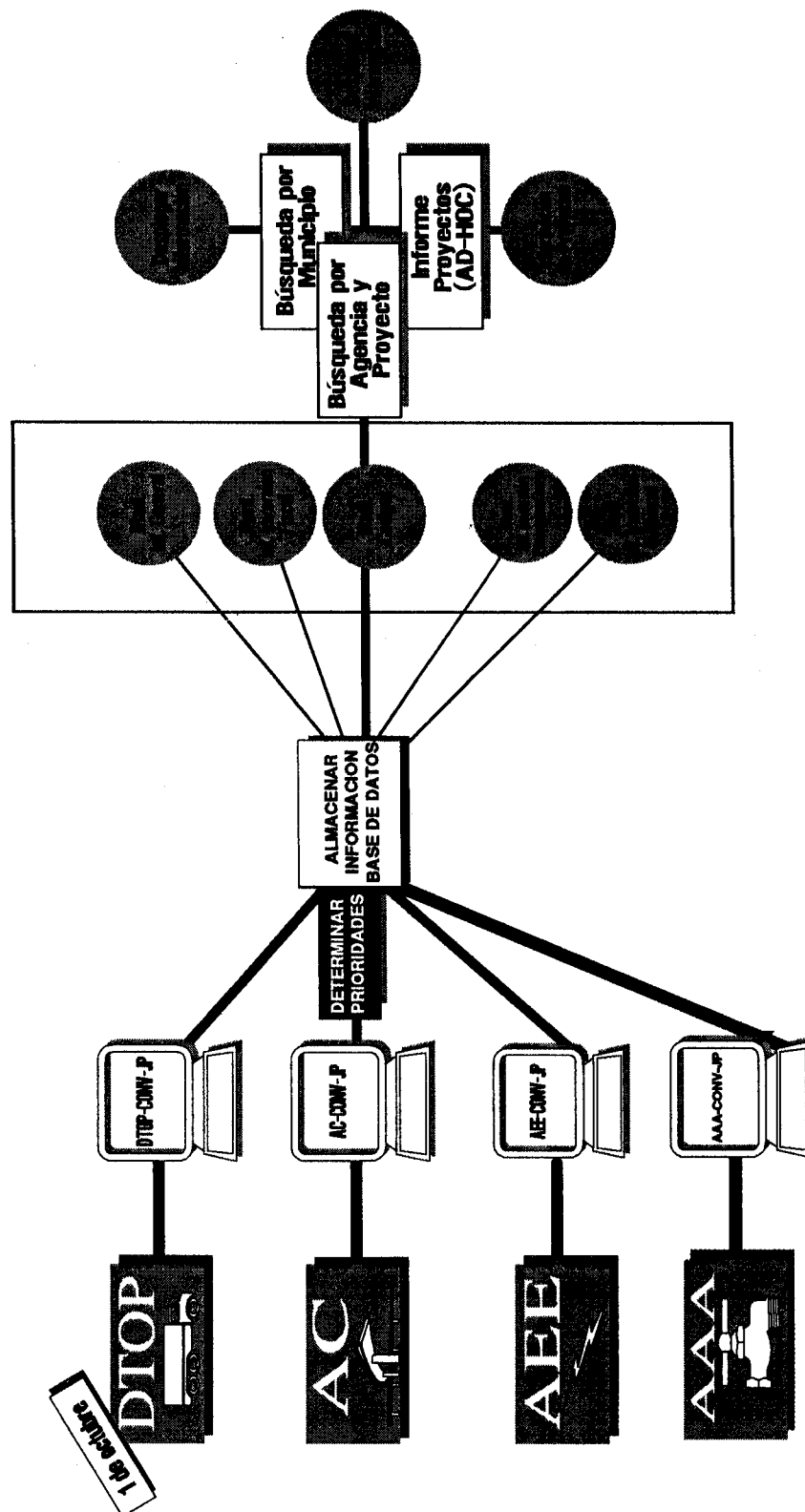
The General Information Systems Strategy Design for the support of the Four-Year Investment Plan preparation is complete. Detailed Systems Design specifying file layouts, screen formats, report layouts, computer processes to be performed, etc., and the associated programming is also completed.

System testing using programmer-generated test data has been conducted. Volume tests of the system with user-generated test data, using the user documentation prepared for on-going operations have occurred.

Exhibit 2 shows a more detailed system flow of this strategy including the four infrastructure agencies that have participated in testing the prototype system.

This methodology has evolved over a period of one year and has been designed to recognize the realities of the system development process. All recommended steps have been included assuring a successful implementation.

Exhibit 2



SYSTEM IMPLEMENTATION PLAN

Exhibit 3 represents the recommended plan for the implementation action of the Four-Year Investment Plan Information Systems Strategy within the Planning Board. Priorities are based on organizational need in addition to dependencies. They are also based on such factors as ease of implementation, value associated with implementation, conversion implications, urgency, available resources, and level of interest and commitment on the part of the participating agencies. Finally, they are based on the Planning Board's ability to absorb and manage change.

This plan cannot yet be linked to years, hence the optimal periods coincident with this plan cannot yet be set. However, the start of year one coincides with the implementation of existing facilities.

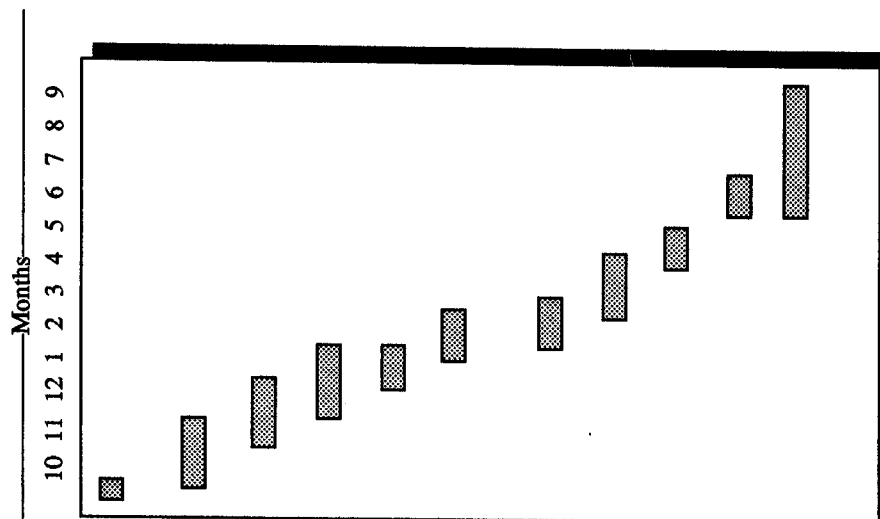
To the extent possible, this plan calls for the selection and implementation of the previously designed, programmed and tested application software. While the events identified represent our judgment as to a reasonable and realistic timetable and sequence of tasks, as the plan evolves and is updated every year through the normal annual review process, we would anticipate some of the events and/or tasks changing as the island's overall conditions warrant. As a result, while we believe this to be an effective representative plan in today's environment, we are not prepared to commit to setting alternate or additional sequence of events in a definite way for the coming years. This plan does, however, provide a road map which identifies the major events and/or tasks and shows when they might reasonably be expected to occur. It also, of course, demonstrates their relationships.

SYSTEM IMPLEMENTATION PLAN

Event/Task

- Agencies submit FYIP projects information to PB
- PB loads, prioritizes and prepares preliminary recommendations of submitted FYIP projects
- MBO, GDB and PB work together recommendations
- FYIP Preliminary Report presentation to PB chairman
- Preliminary FYIP Report Public Hearings
- PB certifies FYIP Report
- PB submits certified FYIP Report to MBO, Senate and House of Representatives
- FYIP Report approval by Senate and House of Representatives
- Submittal of the certified FYIP to the agencies
- Agencies implement FYIP Reports
- Next year's FYIP preparation by Agencies

GDB - Government Development Bank
 MBO - Management and Budget Office
 PB - Planning Board



SUMMARY

The implementation of this Information Systems Strategy will lead to increased organizational effectiveness and efficiency. Will improve communications, both within the Planning Board itself and among the other government departments and agencies with which it interfaces.

More consistent, reliable and accurate information which will lead to the development of more rational plans in support of overall government policies and strategies.

This Strategy will increase the ability to be more responsive to the dynamics of the Puerto Rican environment. It is difficult, if not impossible, to predict the direction of future developments within Puerto Rico. However, we believe that the strategy we have developed will enable the Planning Board to be flexible enough to respond to unplanned future requirements.

SAINT KITTS AND NEVIS

**PUBLIC SECTOR INVESTMENT PROGRAMMING:
THE SAINT KITTS AND NEVIS EXPERIENCE**

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1. INTRODUCTION AND DIAGNOSIS OF THE PSIP

The Public Sector Investment Programme (PSIP) in St. Kitts and Nevis is based on the framework of Macro-economic policy decisions and forecasts, in terms of growth and feasible annual levels of investment. The PSIP comprises the projects designed to achieve the objectives of the Development Plan. The basic rationale of the PSIP is the fostering of social and economic development through the efficient and effective use of limited resources. The efficient use of resources, as well as the timely completion of investment projects, is critical to the achievement of national development objectives. These objectives cannot be accomplished without adequate information and satisfactory institutional arrangements to facilitate the harmonious flow of resources for project implementation.

Responsibility for the PSIP is shared between the Ministry of Planning and Development and the Ministry of Finance, although in principle and practice the Ministry of Planning and Development has the overall co-ordinating role. The Ministry of Planning and Development, on the one hand, is charged with the responsibility for preparing, evaluating and monitoring projects. The Ministry of Finance, on the other hand, is responsible for ensuring the financing of projects within the means of domestic resources and external funding. The joint-responsibility of the two agencies for the PSIP in itself is one of the variables or factors which partly explain some of the problems involved in the management of the PSIP.

The paper will examine some of the problems and constraints involved in the managing of the PSIP and identify possible solutions to ensure more effective PSIP. Before doing so, however, the present functioning of the PSIP and the project cycle will be discussed.

2. PRESENT FUNCTIONING OF THE PSIP AND PCM

The PSIP, as earlier stated, is manifested through projects which are approved by the Budget (Estimate) Committee and prioritized by Cabinet. Where projects are not funded from domestic resources, both the Ministry of Planning and Development and the Ministry of Finance, in a co-ordinated approach, seek external funding.

The projects which make up the PSIP reflect the Governments policy emphasis are economic and social infrastructure, as the foundation to attract and expand private sector investment especially in the tourism and manufacturing sectors. As a result, economic infrastructure, including transportation, energy, communication, water and sewerage account for some sixty (60) per cent of the PSIP. Social infrastructure, which includes health, education, housing and public safety, is responsible for about twenty-two (22) percent, while the productive sectors account for the remaining portion of the PSIP.

The current PSIP covering the period of 1988-1991 is estimated at (EC) \$351.6 million and includes all ongoing and new projects. This total cost figure represents approved projects which have already secured funding and those for which funding is still being sought.

The completion of the PSIP encompasses a series of steps and decisions, and based on the Project Cycle Management (PCM) model outlined in the attached Flow Chart (See back page). The basic steps are as follows:

- (1) Project ideas are identified and project profiles are prepared by operating sector ministries.
- (2) Project profiles are then forwarded to the Ministry of Planning and Development for review and preparation of detailed project proposals.
- (3) Projects are then submitted the Budget (Estimate) Committee, after review by the Ministry of Finance. If approved by the Committee, the projects are included in the PSIP.
- (4) Financing of Projects are negotiated with donor agencies. The Ministry of Planning and Development and the Ministry of Finance play a leading role in sourcing funds for the projects.
- (5) Once funding has been obtained, the final project designs are completed and project implementation activities commence.
- (6) During the implementation period, the projects are monitored and evaluated by the sector and the Ministry of Planning and Development.

The project cycle, which is partly incorporated in the annual budgetary exercise, is a key element in the implementation and monitoring of the PSIP. However, the process is encumbered with a number of problems and constraints.

3. PROBLEMS AND CONSTRAINTS IN THE PREPARATION AND IMPLEMENTATION OF THE PSIP AND PCM

In analysing the PSIP and PCM, the main problems which seem to constrain the effective functioning of the PSIP in St. Kitts and Nevis include:-

- Limited trained personnel (staffing weaknesses);
- Poor interministerial collaboration and co-ordination;
- Integration of project planning process with the budgetary process; and
- Monitoring of projects.

Staffing weaknesses: The limited capability in terms of project preparation and appraisal within ministries tends to impede effective decision-making, and selection and planning of projects. This situation often results in ad-hoc procedures for project selection in some ministries and lack of proper feasibility studies to verify the viability of projects. In fact, to some extent, the projects which presently make up the PSIP are mere responses to funding earmarked by external donors and which appear to be attractive under existing budgetary constraints. These distortions in the project cycle affect proper monitoring of projects.

The quality and adequacy of personnel is crucial to the efficient functioning of the PSIP and PCM. Trained staff capable of formulating and evaluation projects is one of the principal constraints to effective project planning.

Inter-ministerial co-ordination: The weakest link in the project cycle and the PSIP is collaboration and coordination between sector ministries and the Ministry of Planning and Development, and between the Ministry of Finance and the Ministry of Planning and Development. This point cannot be overstated because it impinges on the very nature of planning and project formulation procedures in St. Kitts and Nevis. Co-ordination is the very essence of management of the PSIP and it can only result from co-operative efforts on the part of all the player ministries.

The lack of effective co-operation and co-ordination has resulted in insufficient information on project status, inefficient allocation of critical human and financial resources, and an impaired decision-making process.

Integration of Project Planning with Budgetary Process: Without the proper integration of the budget into projects, the PSIP process is rendered incomplete. The financing of approved investment project must be in line with budgetary objective of development. In practice, however, resources are committed to

projects without due consideration to the overall growth and developmental objective.

In addition, projects are often approved without any clear source of funding. Often too, funding projections are unrealistic. It is therefore necessary to enhance the efficiency of the process of allocating resources, in order to expand the country's productive capacity. Integration of planning and budgeting will assist in improving the management of the PSIP.

Monitoring of Projects: Monitoring of the PSIP is dependent and based on the collection of information by the Ministry of Planning and Development from the various Ministries. Periodic statistical reports are the main source of data. However, Ministries are sometimes reluctant to provide information, in order to avoid additional bureaucratic work.

Information on the financial and physical aspects of projects can provide a rough indication of how projects are faring. Financial and physical monitoring is essential to determining progress on project implementation and identifying measures to eliminate delays and bottle-necks. Information is key to effective monitoring of projects. The lack of timely and reliable information as a basis for project monitoring impedes effective evaluation of projects.

The solution of these problems or the reduction of the impact of such constraints is imperative, if effective management of the PSIP and the project cycle is to be achieved. Improvement in the PSIP process and PCM calls for policy commitment at all levels of the public sector, but especially within the Ministry of Finance and the Ministry of Planning and Development.

4. PROPOSED SOLUTIONS

The several short-comings of the PSIP and PCM existing within the institutional framework seem to require the introduction of effective management tools and training and developments programmes to improve the process. Some attempt will be made in the ensuing paragraphs to identify mechanisms to combat the constraints facing the PSIP and PCM in terms of staffing weaknesses, inter-ministerial co-ordination, budgeting and project planning and monitoring.

Training and institutional strengthening can assist in providing the Ministries with the capability to formulate, appraise and evaluate projects. Training opportunities in project preparation and appraisal are available at the Caribbean

Development Bank (CDB) and the Economic Development Institute (EDI) of the World Bank.

The issue may be raised about the continual loss of trained staff. This perennial problem can only be resolved by attractive packages, including improved remuneration, better working conditions and opportunities, to retain staff. Moreover, home-based training which will enable more staff to take advantage of training opportunities, will have to be introduced in order to deal with the problem of staff turnover.

Thus, a major training effort will have to be pursued in order to combat deficiencies in skill capability in project planning. Skilled, trained personnel in all aspects of the PSIP and PCM constitute the foundation for effective management of public sector investment.

The issue of co-ordination, especially between the Ministry of Planning and Development and the Ministry of Finance, could be addressed through the mechanism of regular meetings to share, exchange and update information on the components of the project cycle. The problem could also be reduced through the use of software. Moreover, given the size of the PSIP, the proximity of both Ministries and good staff relationships, it should be relatively easy for the two Ministries to co-operate in determining priorities, negotiating funding and monitoring the PSIP. It would therefore seem that the need to institutionalize such collaborative efforts is the basic solution to the enhancement of co-ordination.

Integration of the budgetary process and the project planning process could improve decision-making, monitoring and evaluation of projects. The budget, as the main means of project expenditure control, and generally as a management tool, aids planning and monitoring exercises. The PSIP relies on the budget for effective implementation.

The inter-twining of budgeting and project planning should facilitate forecasting, review and evaluation of project performance. It will also allow the proper co-ordination of investment and funding. Budgeting should be designed to support the PSIP, based on the national development strategy.

The introduction of programme budgeting should foster the integration of budgeting and project planning. Programme budgeting could ensure more effective use of resources and improve the planning process. The introduction of such a system will, however, require training of staff, improvement of decision-making and commitment. The system of programme budgeting should also be

supported by computer programmes to facilitate the efficient preparation of investment programmes.

In the case of monitoring, continuous flow of information on the status and progress of investment projects can be achieved through proper institutional arrangements, backed up by a computerized monitoring system.

The computerized system will supply to each Ministry a list of projects for each phase of the project cycle. The Ministry of Planning and Development will be responsible for preparing project lists, based on regular information submitted by Ministries. It is therefore critical that project officers be identified, and held accountable, in each Ministry for reporting and presenting information on projects under that Ministry's jurisdiction. The information has to be presented in a way to enhance efficient and effective decision-making.

Specific criteria for monitoring have to be established. The criteria must include standards of performance, in terms of budgeted expenditure and physical progress, against which the progress of projects may be measured. Information gathered, based on such criteria, should indicate deviations common problems, and general trends concerning schedules or costs. This information will be the basis for corrective action in terms of the enhancement of efficiency.

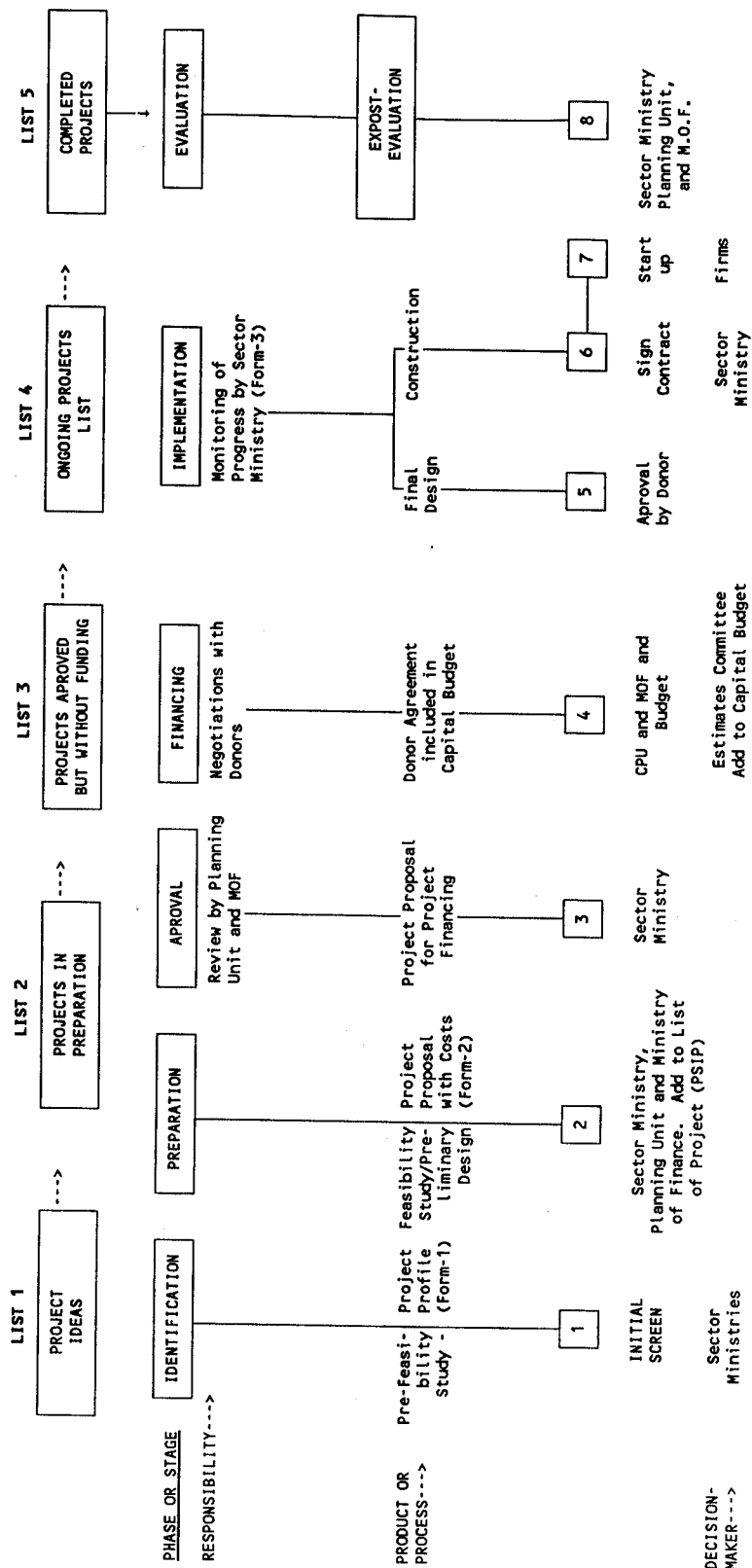
To be a success, the components of the project monitoring system must be known to all ministries. This is the only way it would become operational.

CONCLUSION

Improved procedures for managing the project cycle and setting the PSIP can result in a number of benefits. The implementation of improved procedures should help in both speeding up the process and increasing the flow of donor funds for projects. At the same time, improved information will facilitate greater control over the process of setting the PSIP. Improvement in data will also lay the foundation for the introduction of project support tools, such as project banks whose aim is to enhance follow-up and control of investment projects, as well as ensure greater coherence between project priorities and resources.

GOVERNMENT OF ST. KITTS AND NEVIS
THE PROJECT CYCLE

CODE



SAINT VINCENT AND THE GRENADINES
PUBLIC SECTOR INVESTMENT PROGRAMME
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INTRODUCTION

This paper reviews the Public Sector Investment Programme (PSIP) that Government implemented over the previous Plan Period, and the chapter then goes on to discuss the PSIP for the New Plan Period. The review section also examines the constraints and progress that has been made in implementing the PSIP.

The PSIP is a listing of all major capital expenditures undertaken by Central Government and the Statutory Corporations for a specified period, showing project costs, spread of expenditure, duration, and project status. The PSIP thus forms an integral part of the Planning process. It is a coherent framework within which all capital projects can be assessed to ensure that planned expenditure is consistent with the country's planned public sector savings, and furthermore the PSIP allows the Government to verify that the direction of public sector investment is consistent with the country's overall development strategy.

THE 1986-1991 PSIP

PSIPs were prepared on a three-year rolling format for the period 1986 to 1991. No PSIP was prepared for 1990-1992 because of the imminent transfer to a five-year format for the present Plan. This section reviews the salient features of the four earlier PSIPs.

Table 1 shows investment (Gross Domestic Capital Formation, GDCF) for the period 1985 to 1989. It shows the breakdown of GDCF into public and private sector. The share of public sector investment in total GDCF and the ratio of Public Sector Investment to GDP is also shown:

TABLE 1
Public and Private Sector Investment

	1985	1986	1987	1988	1989
Gross Domestic Capital Formation (GDCF, EC\$ million)	86.1	101.7	124.9	134.7	138.6
OF WHICH					
Public Sector Investment	10.0%	12.2%	12.7%	14.0%	16.1%
Private Sector Investment	90.0%	87.8%	87.3%	86.0%	83.9%
GDCF/GDP	34.1%	35.7%	39.3%	37.6%	35.2%
Public Sector Investment/GDP	3.4%	4.4%	5.0%	5.3%	5.7%

The figures for public sector investment come from the Treasury's records of capital expenditure. These figures underestimate the true level of public sector investment. Despite this, Table 1 shows that public sector investment has been rising throughout the period, both as a proportion of GDCF and as a proportion of GDP. This is an encouraging response to efforts made within Government to increase the volume of public sector investment. This rise in public sector investment has not led to the crowding out of private sector investment as is shown by the fact that the liquidity of the commercial banks rose sharply between 1985 and 1989, deposits as a ratio of domestic credit rose from 110.5% in 1985 to 148.2% in 1989.

Tables 2-5 show total expenditure estimated in the 1986-1988, 1987-1989, 1988-1990 and 1989-1991 PSIPs. These estimates are compared in the tables with the actual capital expenditure for the relevant years. While the "actual capital expenditure" figures underestimate actual capital expenditure it is still clear that bottlenecks, delays, poor selection, and inadequately prepared projects severely hamper the timely implementation of capital projects, which have led to consistent over estimation of capital expenditure.

TABLE 2

The 1986-1988 PSIP (EC\$ million)

	1986	1987	1988
1986-88 PSIP estimate of Public Sector Investment	66.1	74.6	33.8
Actual Public Sector Investment	12.4	15.9	18.9
Actual as a percentage of estimated	18.8%	21.3%	55.9%

TABLE 3

The 1987-1989 PSIP (EC\$ millions)

	1987	1988	1989
1987-89 PSIP estimate of Public Sector Investment	84.0	78.9	44.0
Actual Public Sector Investment	15.9	18.9	22.3
Actual as a percentage of estimated	18.9%	24.0%	50.7%

TABLE 4

The 1988-1990 PSIP (EC\$ millions)

	1988	1989	1990
1988-90 PSIP estimate of Public Sector Investment	59.4	90.2	72.3
Actual Public Sector Investment	18.9	22.3	34.6
Actual as a percentage of estimated	31.8%	24.7%	47.9%

TABLE 5

The 1989-1991 PSIP (EC\$ millions)

	1989	1990	1991
1989-91 PSIP estimate of Public Sector Investment	66.3	115.9	81.4
Actual Public Sector Investment	22.3	34.6	N/A
Actual as a percentage of estimated	33.6%	29.9%	N/A

A further encouraging sign is that efforts to reduce "front end" loading of the PSIP have met with some success over the previous planning cycle. The ratio of actual to estimated capital expenditure rose from 18.8% in the 1986-1988 PSIP to 33.6% in 1989-1991, and the ratio of first year expenditure to total fell from 37.9% in 1986-1988 to 25.2% in 1989-1991.

What is also clear from the above tables is the difficulty of identifying projects in the third year of the PSIP, as indicated by the sharp rise in the actual to estimated capital expenditure ratio. Despite this difficulty the third year estimated

expenditure greatly exceeds the actual, while the composition of the projects that actually were funded were markedly different from the planned PSIPs. While this change in composition, and the inaccuracy of the estimates reflect the necessary flexibility of the PSIP, it also suggests that there is significant room for improvement. Many projects are written up as starting in year 1 of a PSIP and have indeed received a vote in the capital estimates, but work on these projects is often not started until two or three years down the line. The switch to a five-year format may relieve these difficulties to some extent by allowing a longer spread of expenditure, especially for projects funded from local revenue, and by setting more realistic start dates for projects that have received a vote of funds in the capital estimates but which are unlikely to begin immediately. A problem however remains with the procedure for project selection and financing of the capital account with too many poorly designed projects receiving approval for funding, and overoptimistic assessments of starting dates for bilateral donor-funded projects.

Table 6 sets out the main capital projects that began during the period 1986-1989. They reflect the Government's emphasis on the development of the country's infrastructure, and to broaden the country's foreign exchange earning capability.

TABLE 6

Names of Main Capital Projects

Funds first committed in 1986:

Industrial Estates Development: In particular factory shell construction. Ongoing.
Low Cost Housing: Project suspended: only 22 out of 150 houses built, under the original contract.
New Kingstown Primary School: Completed in 1989.
Orange Hill Development Programme: Divestiture of Estate. Ongoing.
Power Loss Reduction Programme: Ongoing.
Feeder Roads: Providing access roads for farmers. Ongoing.
Cumberland Hydroelectric Project: Construction completed in 1988.

Funds first committed in 1987:

Kingstown Fish Market: Completed in 1990.
Georgetown to Fancy Road: Providing access to the North East of the country. Ongoing.
Bequia Airport Construction: Ongoing.
Quarry Development: Ongoing.
Redevelopment of Kingstown Hospital: Ongoing.
Grenadines Multi Project: Roads and Jetties construction. Ongoing.

Funds first committed in 1988:

Coastguard Base Construction: Completed 1990.
Finance Office Complex: Administrative Building Construction to house government offices. Ongoing.
Forestry Development Programme: Forest, water and wildlife conservation. Ongoing.
Fisheries Development Programme: Expansion of country's fishing industry. Ongoing.

Funds first committed in 1989:

OECS TechVoc Centres: Construction of technical/vocational educational facilities. Ongoing.
Agricultural Rehabilitation and Diversification Programme: Land reform, divesting estates to small farmers. Ongoing.

THE 1991-1995 PSIP

The switch to a Five-Year Plan has warranted the development of a new format for the presentation of the PSIP. The 1991-1995 PSIP is divided into three parts. The first is a three-year "Financing PSIP". This Financing PSIP 1991-1993 allows continuity and comparison with past PSIPs, and more importantly it avoids the problem of presenting and comparing year 4 and year 5 project expenditure when data for these years is very incomplete. The Financing PSIP includes only those projects that are ongoing (as of December 31st 1990) and those which have had funding approved.

While the Financing PSIP helps Government to forecast the Public Sector Borrowing Requirement, the switch to a Five-Year Plan format is advantageous because it allows Government to take a more long-run approach to planning, and in particular to the allocation of domestically financed capital expenditure. Thus the second part of the 1991-1995 PSIP is a "Planning PSIP". This PSIP includes the Financing PSIP but also includes all pipeline projects for which an estimated total cost is available. These projects are phased into the Planning PSIP using the available information on the likely start date of the Project, and the phasing of the projects expenditure. The Planning PSIP has the advantage of allowing Government to spread projects so that the total Public Borrowing Sector Borrowing Requirement is kept at manageable levels.

The Planning PSIP has the advantage of encouraging a more long run view to public sector investment. However, there are numerous projects, which Government believes deserve careful consideration, but for which little preparation has been done. These Concept Projects are listed in the third part of the PSIP. This "New Project" PSIP allows Government to keep a bank of possible projects which can be developed to the concept stage as circumstances and funding warrant.

THE FINANCING PSIP

Tables 7-9 show the PSIP broken down by type of funding, sectoral composition and source of funding.

Table 7a shows that the problem of front-end loading has reemerged in the 1991-1995 PSIP. The proportion of expenditure planned for 1991 is 45.7% of the total for the three years. It is highly likely, as in previous years, that actual expenditure will

be only a proportion (probably between 20% and 40%) of estimated, while the expenditure on projects allocated funds in the 1991 Estimates will be lower than estimated. The extent to which it will be lower is hard to estimate, although it is encouraging that in 1990 capital expenditure rose sharply to EC\$ 37.14 million, from EC\$ 22.26 million in 1989.

Table 7b indicates that the domestically financed proportion of the PSIP is forecasted to be 34.1% of total in 1991. Because of the difficulties of measurement already discussed it is difficult to judge whether or not the domestically financed proportion of the PSIP is rising. The PSIP estimated figures for 1986-1991 suggest that it is but the Treasury figures are less conclusive:

Concern has been expressed that external grants are becoming increasingly difficult to access for funding public sector investment. The estimate of the external grant financed proportion of the 1991-1993 Financing PSIP for 1991 is 34.2% and this is similar to previous estimates (it was 37.5% for 1986 in the 1986-1988 PSIP and 33.4% for 1989 in the 1989-1991 PSIP). However these estimates mark a sharp fall in grants actually received (again allowing for the underestimation in the Treasury figures). The actual figure for 1986 accounted for 52.9% (EC\$ 5.45 million) of the PSIP but fell to 27.9% in 1989 (EC\$ 3.60 million).

TABLE 7a

Financing of the Finance PSIP 1991-1993

	1991	1992	1993
GRANTS	36432	30387	8829
LOANS	33816	29120	25216
EXTERNAL TOTAL	70248	59507	34045
REVENUE	16201	10988	7004
DEVELOPMENT BONDS	20126	8635	6674
LOCAL TOTAL	36327	19623	13670
PSIP TOTAL	106575	79130	47723

TABLE 7b
Financing of PSIP

	1991	1992	1993
GRANTS	34.2%	38.4%	18.5%
LOANS	31.7%	36.8%	52.8%
EXTERNAL TOTAL	65.9%	75.2%	71.3%
REVENUE	15.2%	13.9%	14.7%
DEVELOPMENT BONDS	18.9%	10.9%	14.0%
LOCAL TOTAL	34.1%	24.8%	28.7%
PSIP TOTAL	100.0%	100.0%	100.0%

Tables 8a and 8b set out the sectoral composition of the 1991-1993 Financing PSIP. The main difference from the 1986-1988 PSIP is the decline in the share of the energy sector. This reflects the completion of construction of the CHP. A comparison omitting that project illustrates a broadly similar pattern. Transport is the dominant sector in the new PSIP reflecting the Government's concern to continue to improve access for farmers by constructing feeder roads, and also maintaining and improving the country's infrastructure in order to promote private sector investment. The construction of Bequia Airport and improvements to E.T. Joshua and Union Airports, as well as extensive infrastructural improvements in the Grenadines are evidence of the

Government's policy of increasing the possibilities for tourism. Expenditure on agriculture reflects the Government's diversification efforts through the ongoing land reform programme, and the development of both fisheries and forestry. Expenditure on Education will remain an important factor throughout the Plan Period with considerable infrastructural developments to support the moves towards instituting Technical-Vocational Education, while expanding Post Secondary and Secondary Education.

TABLE 8a
Composition of PSIP by Sector

	1991	1992	1993
AGRICULTURE	25926	25089	14628
INDUSTRY	9637	10800	6363
ENERGY	6559	3463	10803
TOURISM	705	700	0
TRANSPORT	36588	28060	13771
EDUCATION	8935	6017	1708
HEALTH	2585	300	0
WATER	2872	1731	0
HOUSING	350	20	0
ADMINISTRATION	6973	1170	0
PUBLIC SAFETY	2225	1200	0
ENVIRONMENT	820	580	450
OTHER	2400	0	0
TOTAL PSIP	106575	79130	47723

TABLE 8b
Composition of PSIP by Sector

	1991	1992	1993
AGRICULTURE	24.3%	31.7%	30.7%
INDUSTRY	9.0%	13.6%	13.3%
ENERGY	6.2%	4.4%	22.6%
TOURISM	0.7%	0.9%	0.0%
TRANSPORT	34.3%	35.5%	28.9%
EDUCATION	8.4%	7.6%	3.6%
HEALTH	2.4%	0.4%	0.0%
WATER	2.7%	2.2%	0.0%
HOUSING	0.3%	0.0%	0.0%
ADMINISTRATION	6.5%	1.5%	0.0%
PUBLIC SAFETY	2.1%	1.5%	0.0%
ENVIRONMENT	0.8%	0.7%	0.9%
OTHER	2.3%	0.0%	0.0%
TOTAL PSIP	100.0%	100.0%	100.0%

Tables 9a and 9b show the PSIP by source of funds. Table 9c shows the breakdown for 1986 from the 1986-1988 PSIP for the sake of comparison.

A comparison between Tables 9a and 9c reveals that the European Community has become the single most important aid donor to St. Vincent. The relative contribution of the USA, Canada and the UK have all fallen, while that of Taiwan has risen. Various new sources of aid have become available since 1986 for example from France, Japan, Denmark, OPEC and Venezuela. The CDB and IDA remain important sources of loan funds to St. Vincent and the Grenadines.

The projects appearing in the 1991-1993 Financing PSIP are broadly consistent with Government's Overall Development Strategy set out previously. In the area of agricultural diversification the Orange Hill Development Programme and the Agricultural Diversification and Rehabilitation Programme are spearheading Government's attempts to create a viable small farm sector that will produce a diversified range of crops for import substitution and export. The Land Reform Programme will be complemented by the new IFAD funded Small Holder Development Programme. This will help develop the small farm sector especially in the area of marketing. Two other projects dominate the agricultural sector, namely the Forestry and Fisheries Development Projects.

Tourism will be promoted by the variety of large infrastructural projects that will improve access to the country and within the country. These projects are dominated by the Begonia Airport and the Union Island Airport. Tourism development is further supported by a number of small projects aiming to improve tourist attractions.

Government's focus on improving Education is clearly reflected in the PSIP. The main projects here being the OECS/CDB Tec-Voc Centres Construction, Camden Park Secondary School Construction, The New Grounds Primary School/Tec-Voc Centre and the Post Secondary Facility.

Other major projects include substantial investment in roads construction, the Quarry Development Project, the Construction of Factory Shells, and the Electrification of Canouan.

TABLE 9a
PSIP by Source of Funds

	1991	1992	1993
EXTERNAL			
CDB	13536	12425	8763
CANADA (CIDA)	9243	10475	3614
DENMARK	95	95	0
EUROPEAN COMMUNITY	25725	17946	14560
FRANCE	4077	3000	803
IDA (WORLD BANK)	1890	1539	1404
JAPAN	540	540	0
OAS	0	0	0
OPEC	0	900	900
PRIVATE	0	0	0
REPUBLIC OF CHINA	7829	3300	0
UK (BDD)	4040	4800	979
UN	0	2576	2308
USA (USAID)	3273	1911	714
VENEZUELA	0	0	0
LOCAL COUNTERPART			
REVENUE	6587	8177	5907
LOAN	3596	3463	2000
LOCAL DIRECT			
REVENUE	9614	2811	1097
LOAN	16530	5172	4674
PSIP TOTAL	106575	79130	47723

TABLE 9b
PSIP by Source of Funds

	1991	1992	1993
EXTERNAL			
CDB	12.7%	15.7%	18.4%
CANADA (CIDA)	8.7%	13.2%	7.6%
DENMARK	0.1%	0.1%	0.0%
EUROPEAN COMMUNITY	24.1%	22.7%	30.5%
FRANCE	3.8%	3.8%	1.7%
IDA (WORLD BANK)	1.8%	1.9%	2.9%
JAPAN	0.5%	0.7%	0.0%
OAS	0.0%	0.0%	0.0%
OPEC	0.0%	1.1%	1.9%
PRIVATE	0.0%	0.0%	0.0%
REPUBLIC OF CHINA	7.3%	4.2%	0.0%
UK (BDD)	3.8%	6.1%	2.1%
UN	0.0%	3.3%	4.8%
USA (USAID)	3.1%	2.4%	1.5%
VENEZUELA	0.0%	0.0%	0.0%
LOCAL COUNTERPART			
REVENUE	6.2%	10.3%	12.4%
LOAN	3.4%	4.4%	4.2%
LOCAL DIRECT			
REVENUE	9.0%	3.6%	2.3%
LOAN	15.5%	6.5%	9.8%

TABLE 9c

PSIP Source of Funds as a Percentage of Total:
1986 from the 1986-1988 PSIP

CDB	25.9%	UN	0.1%
CANADA	19.4%	USA	17.7%
DENMARK	0.0%	VENEZUELA	0.0%
EEC	7.1%		
FRANCE	0.0%	LOCAL REVENUE	3.4%
IDA	8.6%	LOCAL LOANS	6.1%
JAPAN	0.0%		
OAS	0.0%		
OPEC	0.0%		
PRIVATE	0.0%		
TAIWAN	5.0%		
UK	6.3%		

TABLE 10

Local Financing of the PSIP

PSIP	1986-88	1987-89	1988-90	1989-91	1991-95
Locally Financed proportion of Year 1 of the PSIP	17%	12%	40%	37%	34%
ACTUAL (Treasury figures)	52%	61%	62%	57%	N/A

THE PLANNING PSIP

Tables 11-13 show the breakdown by funding and sectoral composition. Table 11a shows a marked fall off in planned capital expenditure for 1994 and 1995 reflecting the difficulty of identifying projects over a five-year period. The large rise in the proportion of domestically financed projects towards the end of the Planning PSIP reflects firstly the difficulty of securing externally financed capital expenditure over a five-year period, and secondly it reflects the attempts to spread more realistically the expenditure of domestically financed projects.

Tables 12a and 12b show that the sectoral composition of the PSIP remains similar to the Financing PSIP. The main shift is the rise in the Public Safety Category in 1995, reflecting the construction of the New Prison.

Tables 13a and 13b reinforce the point that external finance is generally short-planned over a fairly short time framework, thus the volume of externally financed projects will be much greater for the later years of the Plan, than is indicated by the Planning PSIP.

TABLE 11a
Financing of the Planning PSIP 1991-1995

	1991	1992	1993	1994	1995	TOTAL
GRANTS	36432	39976	17762	5536	0	99706
LOANS	33816	39220	34031	10503	2243	119813
EXTERNAL TOTAL	70248	79196	51793	16039	2243	219519
REVENUE	16201	11499	11194	5640	4478	49011
DEVELOPMENT BONDS	20126	10635	9924	6339	3075	50099
LOCAL TOTAL	36327	22134	21118	11979	7553	99110
UNKNOWN	0	0	0	1850	1850	3700
PSIP TOTAL	106575	101330	72911	29867	11646	322329

TABLE 11b
Financing of PSIP

	1991	1992	1993	1994	1995	TOTAL
GRANTS	34.2%	39.5%	24.4%	18.5%	0.0%	30.9%
LOANS	31.7%	38.7%	46.7%	35.2%	19.3%	37.2%
EXTERNAL TOTAL	65.9%	78.2%	71.0%	53.7%	19.3%	68.1%
REVENUE	15.2%	11.3%	15.4%	18.9%	38.4%	15.2%
DEVELOPMENT BONDS	18.9%	10.5%	13.6%	21.2%	26.4%	15.5%
LOCAL TOTAL	34.1%	21.8%	29.0%	40.1%	64.9%	30.7%
PSIP TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

TABLE 12a
Composition of PSIP by Sector

	1991	1992	1993	1994	1995	TOTAL
AGRICULTURE	25926	28863	18862	8498	2489	84638
INDUSTRY	9637	10800	6363	3139	1000	30939
ENERGY	6559	3463	12053	1250	0	23325
TOURISM	705	781	198	0	0	1684
TRANSPORT	36588	37660	24586	12245	4070	115149
EDUCATION	8935	10385	4499	1261	950	26030
HEALTH	2585	1747	2971	300	200	7803
WATER	2872	4581	0	0	0	7453
HOUSING	350	20	0	0	0	370
ADMINISTRATION	6973	1170	0	325	225	8693
PUBLIC SAFETY	2225	1200	2616	2617	2712	11370
ENVIRONMENT	820	580	450	0	0	1850
OTHER	2400	80	313	232	0	3025
TOTAL PSIP	106575	101330	72911	29867	11646	322329

TABLE 12b
Composition of PSIP by Sector

	1991	1992	1993	1994	1995	TOTAL
AGRICULTURE	24.3%	28.4%	25.9%	28.5%	21.4%	100.0%
INDUSTRY	9.0%	10.7%	8.7%	10.5%	8.6%	100.0%
ENERGY	6.2%	3.4%	16.5%	4.2%	0.0%	100.0%
TOURISM	0.7%	0.8%	0.3%	0.0%	0.0%	100.0%
TRANSPORT	34.3%	37.2%	33.7%	41.0%	34.9%	100.0%
EDUCATION	8.4%	10.2%	6.2%	4.2%	8.2%	100.0%
HEALTH	2.4%	1.7%	4.1%	1.0%	1.7%	100.0%
WATER	2.7%	4.5%	0.0%	0.0%	0.0%	100.0%
HOUSING	0.3%	0.0%	0.0%	0.0%	0.0%	100.0%
ADMINISTRATION	6.5%	1.2%	0.0%	1.1%	1.9%	100.0%
PUBLIC SAFETY	2.1%	1.2%	3.6%	8.8%	23.3%	100.0%
ENVIRONMENT	0.8%	0.6%	0.6%	0.0%	0.0%	100.0%
OTHER	2.3%	0.1%	0.4%	0.8%	0.0%	100.0%
TOTAL PSIP	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

TABLE 13a
Planning PSIP by Source of Funds

	1991	1992	1993	1994	1995	TOTAL
EXTERNAL						
CDB	13536	12425	8763	3680	1000	39404
CANADA (CIDA)	9243	10475	3614	1978	0	25310
DENMARK	95	95	0	0	0	190
EUROPEAN COMMUNITY	25725	17946	14560	0	0	58231
FRANCE	4077	3000	803	0	0	7880
IDA (WORLD BANK)	1890	1539	1404	540	540	5913
JAPAN	540	540	0	0	0	1080
OAS	0	0	0	0	0	0
OPEC	0	900	900	900	0	2700
PRIVATE	0	0	0	0	0	0
REPUBLIC OF CHINA	7829	3300	0	0	0	11129
UK (BDD)	4040	4800	979	0	0	9819
UN	0	2576	2308	568	703	6155
USA (USAID)	3273	1911	714	0	0	5898
VENEZUELA	0	0	0	0	0	0
LOCAL COUNTERPART						
REVENUE	6587	8177	5907	704	654	22029
LOAN	3596	3463	2000	2139	220	11418
LOCAL DIRECT						
REVENUE	9614	2811	1097	811	537	14970
LOAN	16530	5172	4674	950	855	28181
PSIP TOTAL	106575	79130	47723	12220	4509	250207

TABLE 13b
PSIP by Source of Funds

	1991	1992	1993	1994	1995	TOTAL
EXTERNAL						
CDB	12.7%	15.7%	18.4%	30.0%	22.2%	100.0%
CANADA (CIDA)	8.7%	13.2%	7.6%	16.1%	0.0%	100.0%
DENMARK	0.1%	0.1%	0.0%	0.0%	0.0%	100.0%
EUROPEAN COMMUNITY	24.1%	22.7%	30.5%	0.0%	0.0%	100.0%
FRANCE	3.8%	3.8%	1.7%	0.0%	0.0%	100.0%
IDA (WORLD BANK)	1.8%	1.9%	2.9%	4.4%	12.0%	100.0%
JAPAN	0.5%	0.7%	0.0%	0.0%	0.0%	100.0%
OAS	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
OPEC	0.0%	1.1%	1.9%	7.3%	0.0%	100.0%
PRIVATE	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
REPUBLIC OF CHINA	7.3%	4.2%	0.0%	0.0%	0.0%	100.0%
UK (BDD)	3.8%	6.1%	2.1%	0.0%	0.0%	100.0%
UN	0.0%	3.3%	4.8%	4.6%	15.6%	100.0%
USA (USAID)	3.1%	2.4%	1.5%	0.0%	0.0%	100.0%
VENEZUELA	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
LOCAL COUNTERPART						
REVENUE	6.2%	10.3%	12.4%	5.7%	14.5%	100.0%
LOAN	3.4%		4.2%	17.4%	4.9%	100.0%
LOCAL DIRECT						
REVENUE	9.0%	3.6%	2.3%	6.6%	11.9%	100.0%
LOAN	15.5%	6.5%	9.8%	7.7%	19.0%	100.0%

THE NEW PROJECT PSIP

The list of concept projects reflects projects that may come into the pipeline in the Plan Period depending upon the availability of funds and changing circumstances. The list is by no means complete, but rather presents the framework by which new projects are brought forward for consideration.

CONCLUSION -

Clearly various problems remain with the PSIP, which have only been partially resolved by the switch to a five-year format. The setting up of a Project Monitoring Unit within the Central Planning Division in 1991 will help to resolve some of the difficulties. In particular it will develop a project monitoring system which should greatly improve the accuracy of the Treasury's figures. The Unit will also seek to address two other key areas: firstly identifying and resolving bottlenecks in project implementation, and secondly ensuring that only well prepared projects are allocated funds in the Capital Estimates.

Finally it is important to note that a significant proportion of External Aid comes not in the form of direct financing of capital projects but rather in the form of technical assistance and training.

TRINIDAD AND TOBAGO
PUBLIC SECTOR INVESTMENT PROGRAMMING AND PROJECT
CYCLE MANAGEMENT IN TRINIDAD AND TOBAGO

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THE ROLE OF THE PUBLIC SECTOR IN INVESTMENT

INTRODUCTION

The term Public Sector Investment Programme (PSIP) refers to the aggregate of genuine capital expenditure undertaken by Government. The PSIP is one of the most important instruments of public policy. This derives in part from the critical role which the State is expected to play in advancing social and economic development, whether it is through improvements in economic infrastructure, education and training, the provision of health and other social services or by way of a catalytic involvement in directly productive activity or through research and development.

In addition, considering the sociopolitical, economic and administrative constraints which often surround the use of alternative instruments of policy (taxation, incomes policy, trade policy, etc.), the PSIP often affords a relatively direct and efficacious way of promoting many national goals and objectives and indeed the very character of development.

There is also a facilitator dimension of the PSIP. By serving to bring about improvements in the economic and social environment it creates more favourable conditions for investment and growth in the private sector and therefore has the potential to foster increases in employment and income-earning opportunities for the society as a whole.

THE SIZE AND COMPOSITION OF PUBLIC SECTOR INVESTMENT

The Medium Term Planning Framework for Trinidad and Tobago has set out to raise the level of gross national investment quite substantially (to 22% of GDP) over the medium term. Economic policy has placed special emphasis on the maintenance of as strong a PSIP as is consistent with prevailing financing constraints and implementation capability.

During the period 1987-90, at the national level, gross capital formation is estimated to have averaged 18.4% of GDP. Of this amount, investment by the Central Government itself represented an average of 2.2% of GDP.

In terms of its thrust, it is useful to note that the PSIP, consisting of more than 180 projects, is oriented towards strengthening the economy, promoting economic expansion and improving essential social infrastructure. Fifty-five (55) percent of the investment expenditure planned for 1991 is comprised of directly productive projects to be undertaken by the State Enterprises. Twenty-five (25) percent is made up of expenditure on the upgrading of economic infrastructure and the remaining twenty (20) percent is channelled towards investment in social infrastructure and improvements in public administration facilities.

PROJECT CYCLE MANAGEMENT

The basic element of the PSIP is the project. It is fair to say that the quality and effectiveness of the PSIP depends ultimately on how well conceived the projects are, the adequacy of preparation and appraisal and the efficiency of implementation. These are all essentials of the management of the project cycle (PCM). The major aspects or stages of what is termed the project cycle are identification, preparation, appraisal, selection, implementation, operation and post-implementation evaluation. None of these aspects can be safely neglected if effectiveness and value for money are to be assured.

TRENDS IN THE PSIP

The approach to the measurement of Public Sector Investment adopted by Government since 1988 saw the production of the PSIP document. Originally the document, which is reviewed annually, showed projections for public sector investment over three years. This format has been revised somewhat to place greater emphasis on financing arrangements and the status of the projects. Nevertheless, this management process facilitates critical examination of the State's role in each year of the Planning Framework particularly in terms of measurement of achievement against projections.

TABLE 1
PUBLIC SECTOR INVESTMENT PROGRAMME
1988-1991

Year	Projected	Actual	%Act. Exp.
Expenditure	Expenditure	Over Proj. Exp.	
(1)	(2)	(3)	(4)=(3)/(2)
1988	848.8	-	-
1989	1 113.8	829.3	74.4
1990	1 001.7	759.9	75.8 p
1991	1 418.7	1 216.5	85.7 e

Source: Ministry of Planning and Mobilization

p = provisional

e = estimate

INSTITUTIONAL FRAMEWORK FOR THE PCM AND SIP

The Budget Cycle

The chart at Annex A shows the institutional arrangements for the preparation of the annual budget and the PSIP in Trinidad and Tobago. The figure shows that projects are identified by line Ministries in consultation with their respective clients. These projects are then submitted to the Ministry of Finance and copied to the Ministry of Planning and Mobilization in response to an annual call circular issued by the former Ministry. After discussions and approval these projects are placed in the Development Programme of Government for the following year and subject to the availability of funding, will be financed.

This process is familiarly known as the budget cycle and represents the existing system of PCM. The figure also shows in outline, the development of the PSIP and highlights the divergence between the PCM and the PSIP. It is also important to note that in the current system the PCM which results in the annual Development Programme has a one year horizon while the PSIP has a three to four year time horizon.

FUNCTIONING OF THE PSM AND PSIP

Strengths

During a given fiscal year line Ministries must submit their requests for funding projects to the Ministry of Finance on a quarterly basis and must justify expenditure of previous disbursements. The mechanism of the release of funds is a most effective device for ensuring the provision of financial information. This might suggest that in the initial stages of developing a new system for PCM the release of funds must continue to be tied to the provision of information. In the absence of this control it would be necessary to require Ministries to adhere to procedural requirements and it would be difficult to police this system.

Weaknesses

Link with Planning Process

Whilst the Macro-economic Planning Framework has been accepted as Government policy, it is generally found that the missions of line Ministries are not well integrated into this framework. Indeed, some Ministries have not yet formulated sector or programme strategies so that it is often difficult to relate the objectives of projects submitted for funding with larger sectoral or national goals. It has also been found that the process by which projects are selected for funding within many line Ministries is weak and ultimately the state of projects which is proposed for funding under the PSIP reflects poor project preparation.

Quality of Projects

Within recent years as Trinidad and Tobago has sought to fund its capital programme increasingly through external borrowing, project proposers have been required to adopt the more rigorous formats of international lending agencies. Lack of skill and knowledge in this area has often resulted in inordinately long delays in project funding and implementation. Apart from this, project preparation has tended to be unsatisfactory despite investments in training of professionals in the Public Service and the guidelines provided in the Call Circular by the Ministry of Finance.

It is also true that many Ministries and State Enterprises have little or no institutional capacity to undertake project analysis and implementation. So that even where professionals in these organizations are trained to perform the analyses they are unable to function effectively. The result is that projects, the full implications of which are not properly thought through and which may be unfeasible, are often submitted for funding. Moreover, even when the projects are socially or politically desirable, the delays in implementation because of faulty planning frustrate project teams and end-users alike.

Management of Information

Over the years the Development Programme has come to be viewed by many project leaders in line Ministries and State Enterprises as a source of annual funding which is not strictly related to a medium or long term programme of development. Where projects are of one year or shorter duration and where implementation coincides with the fiscal year of Government it has been easier to manage resource flows and to obtain information about progress. However, on longer projects, particularly those of a R&D nature, the coordination of resource allocation from year to year has been extremely difficult in many instances and this has been compounded by a lack of information over the life of the project.

Expenditure Patterns

Table 1 shows that in 1989 and 1990 actual expenditure on the PSIP fell short of projected expenditure by approximately 25 percent each year. Two of the phenomena discovered in early analyses of the patterns of expenditure on the PSIP were that there was a tendency to provide funding for projects to keep manpower on the projects even where there was insufficient material to usefully employ such labor. The other was that even though projects were rated relatively high in terms of national priority they did not necessarily receive funding in preference to lower ranked projects.

Tranche

In Trinidad & Tobago's first efforts at constructing a PSIP projects were grouped in economic sectors and according to whether they were ongoing, new or idea projects. The PSIP also showed projected foreign and local expenditures over a three year period. In its current form the PSIP divides projects into three tranches, firstly those with assured funding, secondly projects and programmes funded from general revenues and which are already in progress or involve commitments and thirdly projects and programmes

selected for priority funding under a core PSIP. Information on projected expenditure is provided for the coming year only. This latter approach limits the time horizon over which one views capital formation by the public sector and the ability to analyze the flexibility of annual adjustments in funding. On the other hand it might be argued that the projections in the three year PSIP had little basis because of weak project preparation. The fact remains that in either situation the ability to undertake meaningful forward planning is compromised.

CONSTRAINTS TO THE PREPARATION OF THE PCM AND PSIP

The Flow of Projects

Cognizant of the weakness which have been alluded to in the existing of PCM and in the preparation of the PSIP and bearing in mind the goals of improving the quality of investment projects it is imperative that Government put systems in place to rationalize the overall system of Public Sector Investment Management and to redress the specific issues which have been raised. One of the factors which has been recognized is that if new procedures for project development and appraisal are put in place while institutional deficiencies are being addressed, there is every likelihood that the stream of investment proposals will be reduced. At the same time there is sufficient evidence that an emphasis on "getting projects" in the present project development environment will produce a PSIP of questionable quality. The task then is to find a strategy which will provide some assurance about the quality of project proposals and at the same time to ensure that such a system does not stifle project identification in the short term.

The Management of Information

The goals and objectives of the Macro-economic Planning Framework and sector plans can only realistically be said to have been achieved if there are bases by which to measure achievement. It is increasingly evident however, that it is not sufficient to be able to cite global achievement in terms of GDP. Decision makers need information on a continuing basis to determine appropriate strategies for the future and it is not unusual for professionals of the Ministry of Planning and Mobilization to be requested to produce ad-hoc report on the distribution of public sector investment by geographic region, economic sector, employment and foreign exchange generation, environmental impact, etc.

In addition, one of the objectives of the Public Sector Investment Management is to eventually be able to provide some index of the impact of public sector investment on private sector investment.

The Public Sector does not yet have the skill, experience or equipment to undertake the management of information at the level envisaged.

Staffing - Quality and Quantity

The Public Sector has undertaken the training of members of its professional staff in techniques of project appraisal, implementation and evaluation since the 1970's and indeed it is possible to locate well trained professionals in the public service. However, in many instances the professionals who have the responsibility for project preparation lack the requisite skills or the tools to perform these specialized functions. It has also been found that professional officers with the requisite project skill have other responsibilities which do not permit them the time or opportunity of undertake project development or appraisal. As may be expected, there is not an abundance of professionals with the necessary training and experience.

Project Selection

One of the objectives of PCM is to provide decision-makers with information which would facilitate the selection of projects to be funded from the PSIP.

Under the existing institutional structure and arrangements, there seems to be altogether a need for a more systematic and clearly defined procedure governing how a project gets into the PSIP. There is, for example, no standing requirement for projects to be scrutinized by the Planning Ministry before they come before Cabinet for approval of an investment decision in principle or otherwise.

There is a challenge to institute a process of project selection which takes account of the technical, commercial, financial, economic, managerial, organizational as well as political aspects of the project.

It must be emphasized as well that once the PSIP has been defined for a given fiscal year, in the absence of any relaxation of the budget constraint, decisions to introduce new projects necessitate a simultaneous identification of what activity should

be suppressed. Without this, the overall integrity and sustainability of the PSIP would be impaired.

IMPROVEMENT OF PCM AND THE PSIP

The Project Cycle Management Programme

Addressing the weaknesses which have been described necessarily involves defining the role of the Ministry of Planning and Mobilization which is prerequisite to an effective PSIP. This role is seen as:

- (a) General evaluation of projects conceived and developed by line agencies to ensure that proper relationship is maintained between individual projects and the overall development strategy as well as related policy and targets at national or sectoral levels;
- (b) Review of economic and financial analysis of project proposals drawn up and submitted by line agencies or prospective investors (state-owned enterprises and joint ventures interests);
- (c) Ranking of projects being considered for inclusion in the PSIP by assessing their relative merits in comparison with other investment options which are laying claim to scarce resources;
- (d) Initiation of action to explore and develop project ideas which appear to have good potential but which transcend the functional responsibilities of any one Ministry or agency;
- (e) Determining and revising the parameters to be applied for the consistent evaluation of PSIP projects;
- (f) Advising on the structuring of a viable medium-term PSIP that is adequately prioritized, sustainable in terms of availability of resources and dove-tailed with the annual budgetary process;

- (g) Monitoring the implementation of projects and conducting post-evaluation of projects;
- (h) Coordination and management of the programme of supporting resource mobilization activity needed to secure access to external financial resources from multilateral agencies including the IDB, World Bank, European Investment Bank and the CDB and monitoring of loans that have been secured.

As a major step in building the capability to perform its role and to strengthen the overall institutional capability of the public sector to improve the PSIP the Government of Trinidad and Tobago has entered a non-reimbursable Technical Cooperation agreement with the IDB to improve project cycle management. The elements of this programme are the establishment of procedures for project development and selection, the calculation of national accounting parameters (shadow prices) as an aid to project selection, the establishment of a project information system or project data bank, training of professionals of the public sector and selected state enterprises in the techniques of project preparation, analysis and implementation as well as a small core of professionals to ensure that the initiatives can be sustained through the transfer of technology.

Additionally, through a technical assistance loan from the World Bank under Trinidad and Tobago's structural adjustment programme, funds have been provided to assist Ministries and state agencies with the development of project ideas and profiles as a short term measure while the institutional capacity of these agencies is being strengthened through the PSIP programme.

Procedures

The lack of procedures has been identified as one of the major inadequacies of the PCM system. The PCM programme proposes to develop procedures both the development of projects as well as the screening of projects and programmes at different stages. One of the major issues in this aspect of the programme is the respective roles of the Ministry of Finance and the Ministry of Planning and Mobilization and the way in which these roles will be mutually supportive while avoiding unnecessary duplication of effort. As indicated earlier the Ministry has responsibility for the release of funds and is able to use this authority to ensure compliance of Ministries and other agencies in providing information. The Ministry of Planning and Mobilization has no power of sanction.

Conceivably Ministries will adopt procedures for project development recommended by the Ministry of Planning and Mobilization as they realize the value of systematic public sector investment programming. However the rate of adoption could be setback if there is no requirement to follow procedures or if it is perceived that there are other effective means of funding public sector projects.

Training

The PCM programme will commence a number of training courses early in 1992 to give select public officers the necessary skill and confidence to undertake project development and analysis. These course will be run in two week modules by well trained and highly experienced consultants and will use project with which the participants are familiar. Additionally, a core group of locals will be selected for further training. This group will be responsible for the continuation of the training of professionals after the programme is completed.

Information Systems

The development of project data bank is a key aspect of the overall programme of PCM. It will be necessary to integrate the information systems of line Ministries with that of the Ministry of Planning and Mobilization. In some instances information systems of line Ministries are primitive and the provision of information on capital formation is tedious. The project data bank must make the generation of information to be used throughout the system relatively easy and must facilitate analysis at the programme, sectoral and national levels.

Selection of Projects

The difficulties in the selection of projects have already been alluded to brief. The Government of Trinidad & Tobago expects that the implementation of the PCM programme will facilitate the selection of projects through project preparation and the provision of national parameters (shadow prices) which will assist the determination of the best allocation of scarce national resources. In addition the Ministry of Planning will be utilizing somewhat less sophisticated techniques of selection by weighing projects across sectors on the basis of a pre-determined set of criteria which reflect national priorities e.g. foreign exchange earnings, employment generation. etc.

As part of the PCM programme line Ministries and state agencies will receive technical support for the establishment of internal mechanisms for screening projects before they are submitted to the Ministry of Planning and Mobilization for consideration.

Technical Support in the Short Term

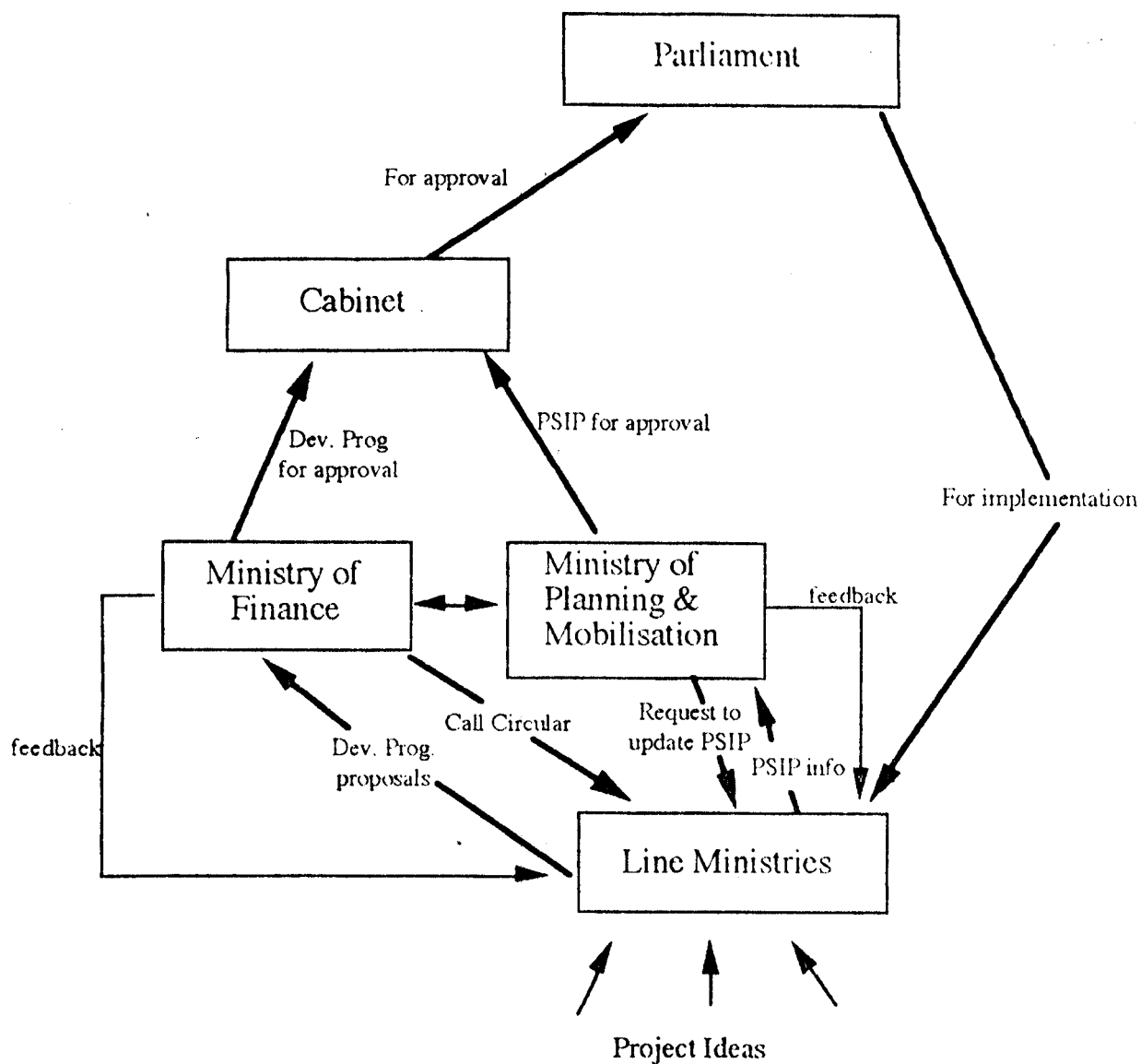
The World Bank has provided the Trinidad and Tobago Government with a technical assistance loan to assist the public sector with the preparation of the PSIP. Under the programme, consultants will be assisting line Ministries and state agencies to develop project ideas and to prepare projects. This technical assistance is also intended to provide local professionals with the opportunity to develop project development skills through prolonged contact with the consultants.

Political Support

It is recognized that the successful improvement of the PCM will depend to a large extent on the political support which it is able to obtain. The political directorate must be convinced that it is in its interest to subject projects to a particular process of development in order to assure quality investment proposals which are implementable. The Minister of Planning and Mobilization, within whose portfolio the PCM programme falls will need to be continuously provided with information to assist him to support the programme among his Cabinet colleagues.

ANNEX A

Figure 1



N.B. Institutional arrangements
have been simplified for purposes
of illustration

VENEZUELA
THE PROJECT DATA BANK SYSTEM IN VENEZUELA *
- Summary -

* Prepared by Oficina Central de Coordinación y Planificación de
la Presidencia (CORDIPLAN)

INVESTMENT PROGRAMMING

I. INTRODUCTION

One of the most important objectives of Venezuelan Government's Central Office of Coordination and Planning (CORDIPLAN) is to work closely with the General Directorate for Investment Programming to achieve a strategic use of the public investment which could help the social and economic aspects of development.

The main goal of the Central Office of Coordination and Planning (CORDIPLAN) is to reach the harmony between the public investment process and the objective established in the "VIII Plan de la Nación". This can be accomplished by the following steps: Financial Coordination, Pre-investment and Investment. Furthermore, the Directorate of Project Control and Monitoring works closely with the investment process with a Monitoring and Control Data Bank System which establishes a coordination between public sector budgeting and sectoral and regional needs that could help the improvement of the country's economic and social situation. In addition, this system undertakes the physical and financial monitoring of the investment operations.

II. BACKGROUND

During many years Venezuela has been executing the National Budgeting with a listing of investment without auditing it. Consequently, this generated a great conflict between the sectoral and regional distribution which against the policies for improving the efficiency of the Venezuelan state's plans.

III. ACTUAL SITUATION

Venezuelan Public Investment Programming has not been efficient enough to compete with the actual economic demands. The Government should concentrate on reviewing and analyzing the public investment programming. Moreover, there is not a relationship between the National Plans and the National Budget due to the policies defined in the Investment Objective and the Country's Politics.

At the present time, the General Office of Coordination and Planning (CORDIPLAN) prepares a five year and a yearly National Plan. The yearly National Plan are produced by the economic, social, sectoral and regional demands from different public organizations. However, these plans only provide general guidelines on investment priorities and broadly define the Government's economic strategy, with the changes in the Country's economic situation, CORDIPLAN has to coordinate a major effort to formulate an annual plan. The public Investment Programming is studied by a sectoral dimension (macro-sector, sector, sub-sector) and a local space (regional, state, municipality). This programming helps to associate the goal of the National's Plan which is difficult to evaluate.

IV. STRATEGY

The Government uses a strategy to change the process of the Venezuela's Public Investment Programming. This strategy is based on five aspects:

- A. Adequate Legal Framework
- B. Extraordinary Revenues
- C. Public Sector's Reform
- D. Assistance to the Multi-lateral Organization and the implementation of the National Project Data Bank

A. LEGAL FRAMEWORK

The Venezuelan Legal Framework has been modified for a better functioning of the public investment. The "Ley de Descentralización de Competencias" provides a legal framework to the states. This law delivers responsibilities to the Governors and Major (alcaldes), also, it provides a better transfer of the resources. Furthermore, this law gives the power to CORDIPLAN to get permanent information of the public investment in the states. The act 401, supports the implementation of a National Project Data Bank. Thus, CORDIPLAN is responsible for the design and implementation of a National Project Data Bank System to provide assistance to the public organization, in addition, this system helps organize and monitor the organization's project investment and improve their efficiency in responding with the monthly demands required by the act.

B. EXTRAORDINARY REVENUES

Every year, the National Budget requires a major portion of the extraordinary revenue to finance the Project's investment, consequently, the Government received assistance from the Multilateral Bank. These debts committed the Government to make economic adjustment, developing better public investment, for helping the improvement of the national economic, besides, these debts pressure the Government to design a National Budget with programmes and project. These programmes and projects have been studied through the process of pre-investment to establish their priorities in the National Budget.

C. PUBLIC SECTOR REFORM

The Venezuelan State has been going through many changes. One of them, is the direct election of governors and majors. These laws not only enable the central institutions (ministry, autonomous institutions) to have their own responsibilities but also allows the states and municipalities to manage their own local investment.

Furthermore, reorganizing the public enterprises and creating new rigid regulation will increase the income of the public investment. These enterprises represent a great percentage of the public investment but they are in many cases inefficient. They have insufficient instrument for increasing revenues. Consequently they need additional resources given by the solution to this could be a new tariff system or to make some public enterprises private.

Furthermore, as an entrepreneur, the state will need the productive sector to be made more efficient and competitive, this could be changed by the use of private investment.

D. MULTI-LATERAL ORGANIZATION'S ASSISTANCE

Until 1989, the Venezuelan Government had had a deficient relationship with the Multi-Lateral Organizations, as a result, there had not been a cultural education of the public investment's management. These organizations are currently receiving assistance under many programmes like the "Asistencia Técnica" (Technical Assistance), Pre-Investment (preinversión) and "Fortalecimiento Institucional" (Institutional Enforcement) to improve the public investment process.

V. THE NATIONAL PROJECT DATA BANK

The National Project Data Bank (Banco Nacional de Proyectos) was designed and implemented to improve the Venezuelan Public Investment. The object of this Bank is to concentrate on reviewing, analyzing and monitoring the public investment, having a data bank will help to improve the sectoral and regional investment. In addition, the information will allow the Government to have a better view of the public investment.

A. THE PROJECT LIFE CYCLE

The Bank was designed under the concepts of the project life cycle, this cycle was established by the WORLD BANK. The project life cycle is classified as the following:

- a) Pre-investment
- b) Investment, and
- c) Operation

The pre-investment phase studies the project when is being born, this project goes through many steps:

- 1. Idea
- 2. Pre-feasible
- 3. Feasible
- 4. Engineering design

Once the first phase is finished, the project goes through a hierarchization phase to be evaluated with other projects (Investment Phase) (see Figure 1). This hierarchy is evaluated according to the studies of the sectoral, regional and states National Programming. Then the project is included in the National Budget. After the project is implemented, it can undertake a financial and monitoring of investment. Finally, the investment phase is finished. Next, the operation phase begins, where the project is studied according to the social and economic impact in the National Programming.

B. IMPLEMENTATION STATE

The National Project Data Bank involves the implementation of a computerized Information System in a personal computer. This system improves the normalization and flow of information between the public organizations and CORDIPLAN (see Figure 3). Thus, the

public organization can process the information in a decentralized form.^{1/}

C. ACTUAL STATE OF THE NATIONAL DATA BANK SYSTEM CHARACTERISTIC AND DEVELOPMENT

The system has been designed under many concepts, this system allows the user to edit, view, select, save, modify, add, and print information that is required by the investment and pre-investment process (see Figures 4 and 5).

The Data used in this system has been selected to organize the information according to the procedure needed. The National Data Bank has three modules:

1. Investment Monitoring and Registering
2. Pre-Investment Monitoring and Registering
3. Financial Coordination

The Project Data Bank System is being developed by different stages (pre-investment, investment, financial coordination) (see Figure 1). The Project Monitoring and Registering function according to the National Budget. The Pre-Investment Stage and Financial Coordination State are being designed, they are planned to be implemented by 1992.

This paper only mentions the investment stage. During the process of implementing the Project Data Bank, was decided that was better to start with the investment stage to normalize the public investment with the actual process of the budgetary design.

D. PUBLIC INVESTMENT CONTROL AND MONITORING

The public investment control and monitoring system has the following objective:

1. The current permanent flow of investment
2. To keep an homogeneous information
3. To ease the individual analysis of the investment (sectoral, institutional, regional, state, municipal and national)
4. This information will assist in the design of different programmes (five years and a year plans)
5. To ease the project investment monitoring
6. To ease the normalization and organization process of the public investment

7. To improve the relationship between the investment process and the budget

The System is divided in two sections: The Registering Module and Monitoring Module.

THE REGISTERING MODULE

The investment registering module will allow the design of the budget according to the public work,^{2/} created by the public organization. In this manner, National Budget can be arranged through putting together all the flow of information produced by the different public organizations.

In this module, the public work can be registered or added by its name or description and its budget amount, then the total amount is calculated by adding the different amount that has been added according to public work budget. In this manner, we can have the total amount for the current year.

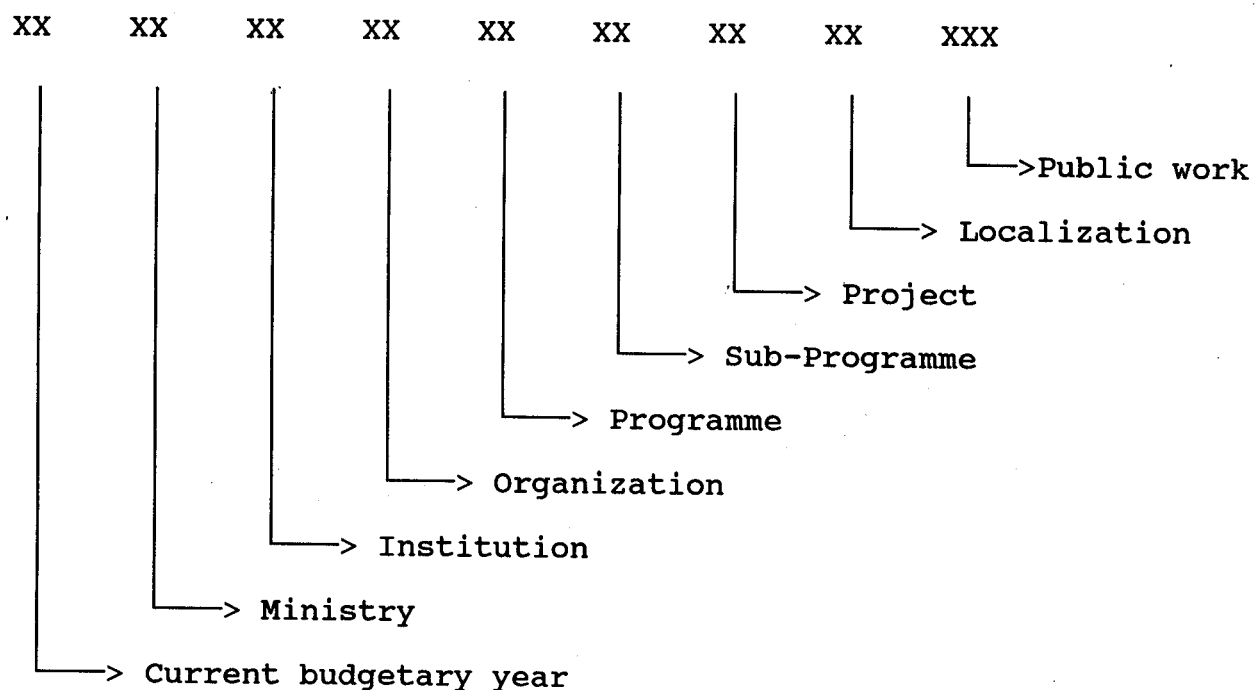
In this system the investment can be classified in a three-dimensional space (sectoral, institutional) (see Figure 2). Furthermore, the investment can be classified as the following:

1. Financial Resources: The project or public work could have three kinds of financial resources ("Ley de Inversiones, Presupuesto Ordinario,...etc.).
2. Budgetary Classification: this included the programme, sub-programme, project, and the specific budgetary entry (the type of budget for example; "partida específica, partida").
3. The process is the state of the project, it can be in a construction state, reparation state, ... etc.
4. The actual state of the public work. It is the status of the public work (new, paralyze, ... etc.).

The National Project Data Bank System provides a code for each public work, this code is generated by the budgetary classification. This code is described as the following:

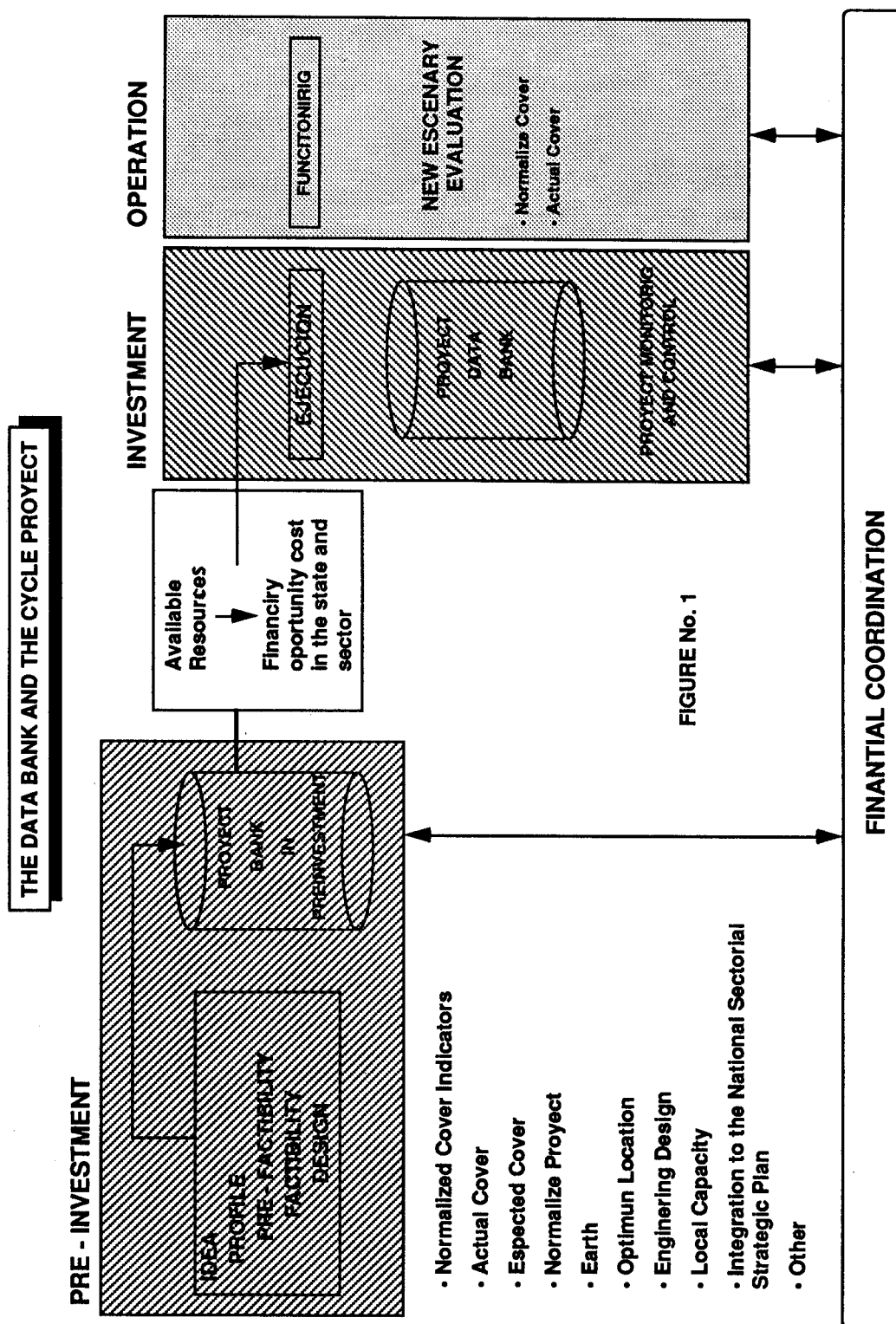
MONITORING MODULE

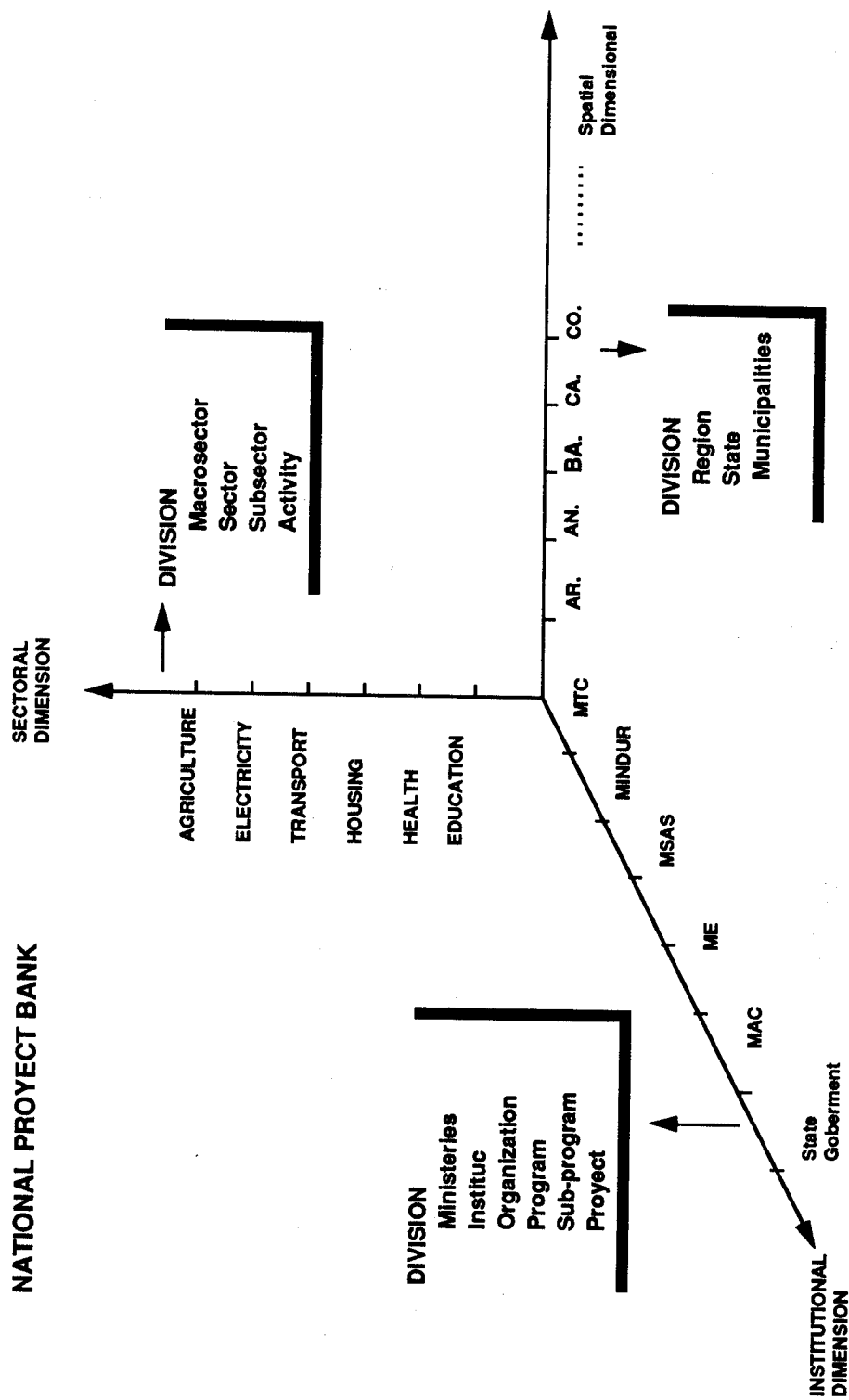
The monitoring system helps the control and auditing of the public work, once the investments are registered, then this module allows the user to study the state of the public work and modify it in the future.



The monitoring System is record as follow :

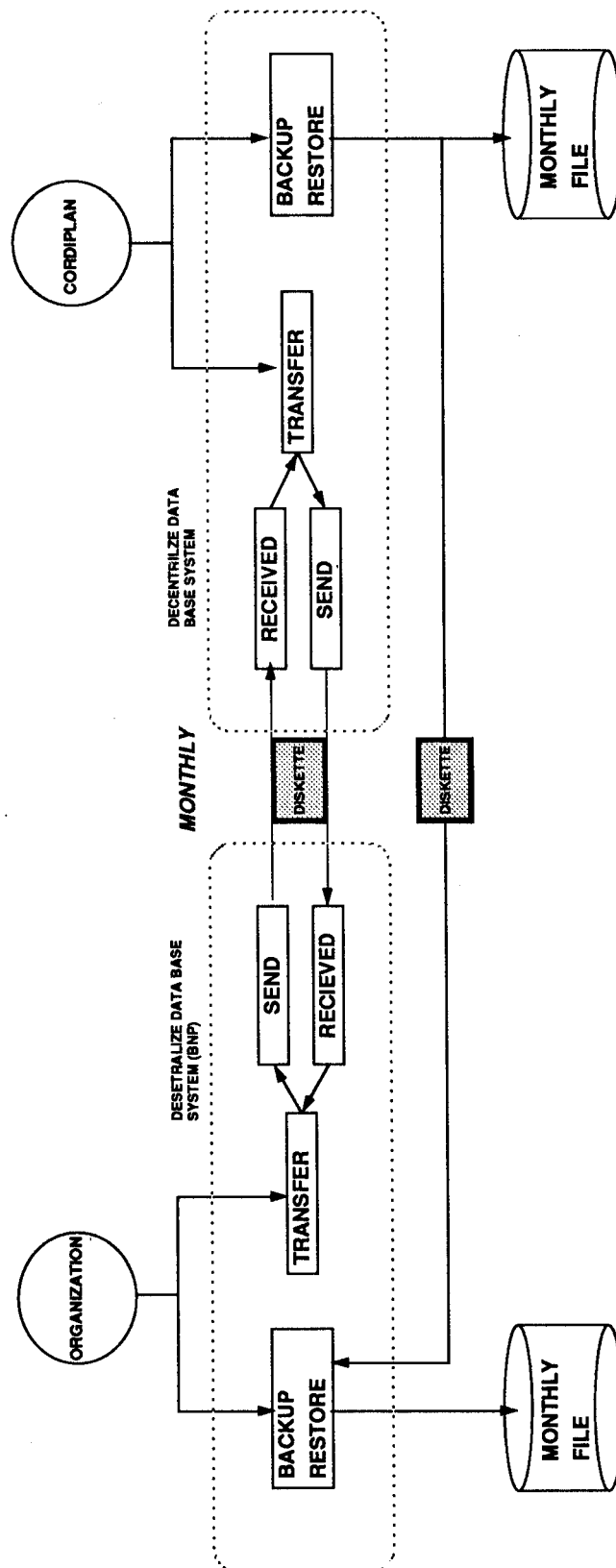
Total amount of the Projet
Total amount contracted
Total amount Executed
Total amount Assigned
FIRST GROUP
Increasing of the amount Assigned
Decreasing of the amount Assigned
Amount contracted during the year
Increasing in the contract during the year
Decreasing in the contract during the year
Amount executed during the year
Amount payd during the year
SECOND GROUP
Efficiency in the Contracted amount
Efficiency in the Executed amount
Efficiency in the Paid amount
Fisical advance
THIRD GROUP

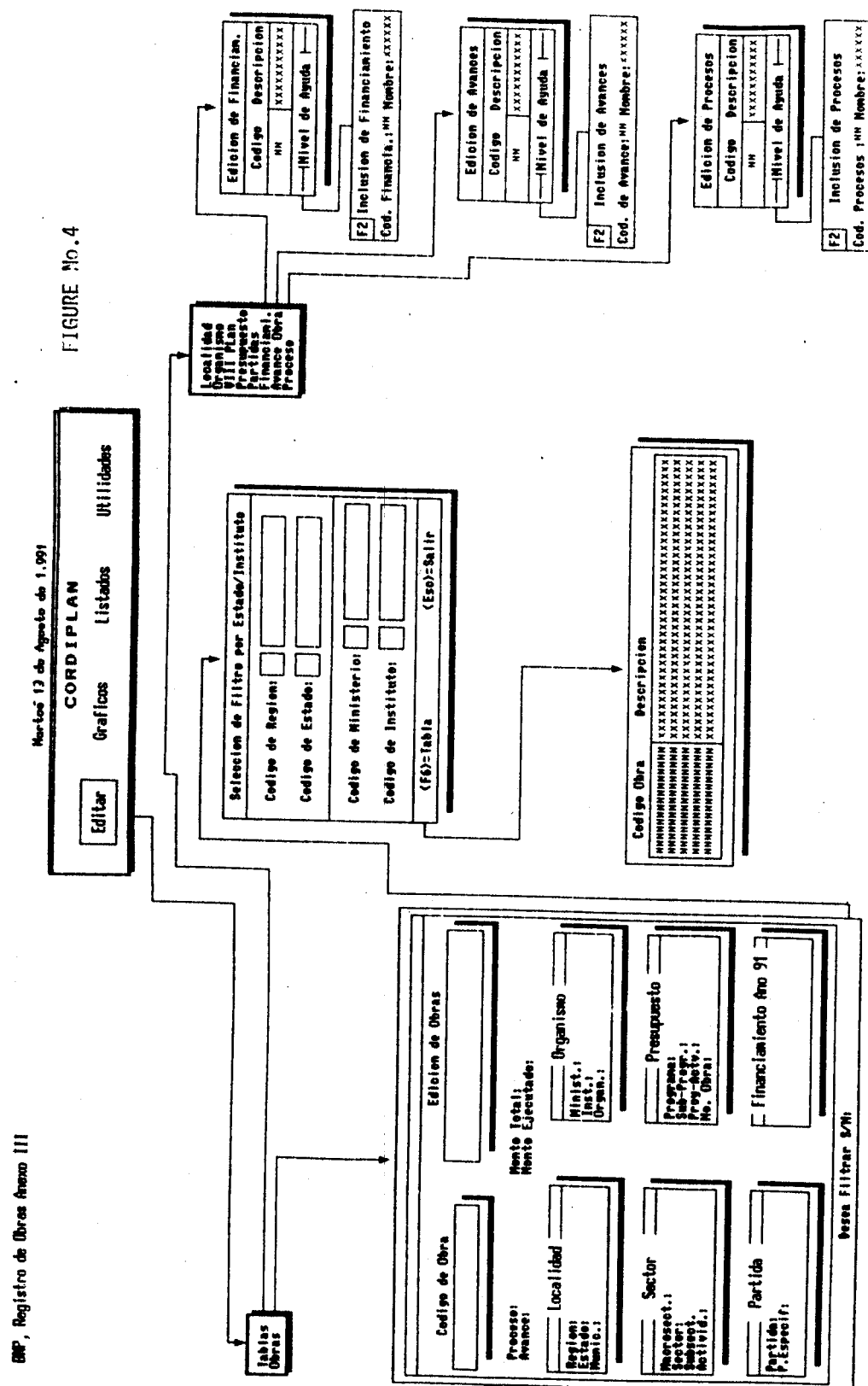


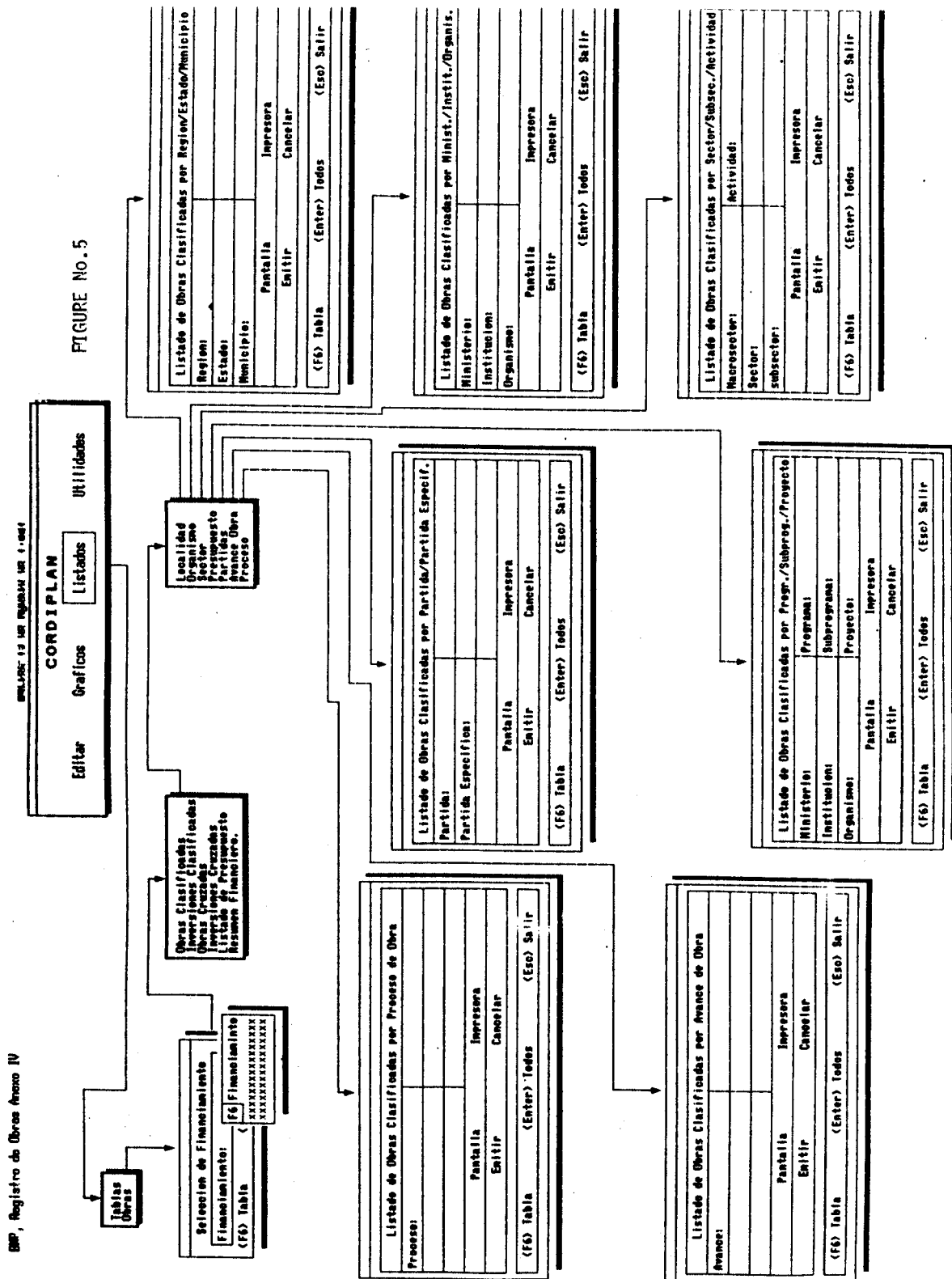


NATIONAL PROJECT DATA BANK SYSTEM DATA TRANSFER

FIGURE Nº 3







NOTES

- 1/ Decentralization here means the transfer of responsibilities for managing the information from CORDIPLAN and the organizations.
- 2/ Normally in Venezuela, public work (obra) is defined as a small project that has not been studied in the pre-investment stage, for example: the improvement of the international airport Simón Bolívar in Caracas.

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MONTSERRAT	<i>Public Sector Investment Programming, Angela Greenaway</i>
NETHERLANDS ANTILLES	<i>Experiences in Public Sector Investment Programming and Project Cycle Management of the Netherlands Antilles, Carlos Rovelet</i>
PUERTO RICO	<i>Puerto Rico Planning Board, Information Management Strategy "Four-Year Investment Plan Project", José Eduardo Villamarzo</i>
SAINT KITTS & NEVIS	<i>Public Sector Investment Programming: "The Saint Kitts and Nevis Experience", Eugene Petty</i>
SAINT VINCENT & GRENADINES	<i>Public Sector Investment Programme, Theophilus Shallow</i>
TRINIDAD AND TOBAGO	<i>Public Sector Investment Programming and Project Cycle Management in Trinidad and Tobago, Wayne Maughan</i>
VENEZUELA	<i>The Project Data Bank System in Venezuela, (CORDIPLAN)</i>