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**THE REGULAR SYSTEM OF GOVERNMENT FINANCING FOR ILPES:
BACKGROUND, HISTORY AND CURRENT SITUATION**

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This note has been prepared at the request of the Presiding Officers of the Regional Council for Planning (RCP) of the Latin American and Caribbean Institute for Economic and Social Planning (ILPES), who at their twenty-fifth meeting, held on 12 August 2015 in Santiago, asked the Economic Commission for Latin America and the Caribbean (ECLAC) to draw up a document describing the origin, the development and the current status of the Regular System of Government Financing for ILPES. The aim is to provide background information and other useful inputs for the discussion on renewing and institutionalizing the voluntary contributions made by member States to support and strengthen the work of ILPES in the region. This note is intended to respond to that request, and is based largely on documents prepared previously by ILPES, especially the proposed strategy presented at the aforementioned meeting of the Presiding Officers of RCP.¹

A. BACKGROUND: ESTABLISHMENT OF ILPES AND THE EARLY YEARS

ILPES was established by the governments of Latin American countries in 1962, under the auspices of what was then the Economic Commission for Latin America (ECLA). At this time, it was financed by the United Nations Special Fund (the precursor of United Nations Development Programme), the Inter-American Development Bank and the Government of Chile. At the ninth session of ECLA, held in 1961, governments expressed confidence “that the institute established under the auspices of ECLA with the support of the United Nations Special Fund will in time become an agency directed and maintained by the Latin American Governments” (ECLA resolution 199(IX)).² Since its inception the Institute has received voluntary contributions from member States and ad hoc third-party financing for specific activities.

At the end of the 1960s, the idea that the Institute was to be a permanent body, with an adequate financial resource base, was reaffirmed. Consequently, in 1969 at the thirteenth session of ECLA, resolution 286(XIII) was adopted, urging that “the Secretary-General of the United Nations and the United Nations Development Programme should provide the necessary support in order to convert the Latin American Institute for Economic and Social Planning into a permanent body and to ensure its financing over the long term, and also requesting the Governments to continue to support it”.³

In 1974, ILPES was established as a permanent institution of ECLAC, with a technical committee acting as senior guiding body for the Institute, reporting to the Commission. The Technical Committee held its first meeting in 1975 and was made up of the representatives of the planning ministries of the countries of the region. Starting in the biennium 1976-1977, ILPES was responsible for executing part of the programme of work of ECLA, in replacement of a small Public Administration Unit that had existed in the 1950s. Accordingly, as of 1976, several of the Institute’s professional posts were financed from the regular budget of the Commission.

The changes also meant that responsibility for mobilizing the Institute’s resources was transferred to the Executive Secretary of ECLA. Thus, pursuant to resolution 340(AC.66) of the Committee of the Whole of ECLA, “the Executive Secretary of ECLA, on behalf of the Secretary-General of the United Nations, shall be authorized to accept such contributions to the financing of the Institute’s activities from governments, international agencies, foundations and public and private institutions as may help to

¹ See ILPES, *Proposed Strategy and Resource Management*, (L.4023 (MDCRP.25/3)), 15 July 2015.

² Economic Commission for Latin America (ECLA) resolution 199(IX) of 13 May 1961, on the establishment of an institute for planning economic development.

³ Resolution 286(XIII): Latin American Institute for Economic and Social Planning (ILPES), 19 April 1969.

finance the Institute's activities in accordance with its aims and purposes and with the guidelines laid down for it by the Governments."⁴ At the same time, the Committee of the Whole recommended "that the member countries should increase their voluntary contributions to the Institute".

In 1977, ILPES, ECLA and the Government of Venezuela convened the first Conference of Ministers and Heads of Planning of Latin America. On that occasion, the governments agreed to convene an annual conference of ministers of planning, and that the annual meetings of the Technical Committee of ILPES would be held in the framework of that Conference. The Conference requested UNDP to renew its financial contribution to ILPES and asked the member countries of the Institute to make good the voluntary contributions offered.

The budget for the 1978-1979 biennium totalled US\$ 4.3 million, consisting of country contributions (28% of the total), financing from UNDP (42%), ECLA budget (19%) and income from advisory and other services (12%).⁵ The voluntary contributions of member countries had an annual target of US\$ 0.6 million, but this was not necessarily reached.

B. REGULAR SYSTEM OF GOVERNMENT FINANCING (RSGF)

At its fifth meeting, in Buenos Aires in 1983, the Technical Committee created the Regular System of Government Financing (RSGF) to promote the fulfilment of pledges of voluntary contributions to ILPES, in accordance with the statement of intent made by the governments in the early years of the Institute. Between 1983 and 1985, many governments freely and voluntarily indicated the amounts of their contributions. The Committee set a total amount of US\$ 1.5 million, which has varied little since then.⁶

In 1984, by virtue of resolution 467(XX), adopted at the twentieth session of the Commission, ECLA "noted with approval the establishment and the implementation of the new regular system of financing of ILPES" and expressed its satisfaction at the decision taken by the countries to sign a Memorandum of Understanding with ILPES to that effect.

The Regular System of Government Financing presented challenges from the beginning. The government contributions for 1985 and 1986 did not materialize as planned, which led the Institute to launch an initiative to strengthen the political backing for what had been known since 1985 as the New Institutional Project. At the eighth meeting of the Technical Sub-Committee of ILPES, held in 1986, the members restated the need for the countries to reaffirm and materialize their financial contributions to regularize the Institute's budget in the framework of the New Institutional Project. A key piece in the process of strengthening the Institute was the transformation of the Technical Committee into a platform with greater political power and representation.

In 1988, the Technical Committee became the Regional Council for Planning (RCP), a ministerial conference with 39 members, made up of all the countries of the region and Spain. The Council reports as a subsidiary body to the session of the Economic Commission for Latin America and the Caribbean

⁴ Economic Commission for Latin America (ECLA) resolution 340(AC.66) of 25 January 1974.

⁵ J.C. Rodríguez-Arias and J.A. Sawe, *The Latin American Institute for Economic and Social Planning (ILPES): Report of the Joint Inspection Unit (JIU/REP/79/3)*, Geneva, Joint Inspection Unit, February 1979.

⁶ The figure today is US\$ 1.575 million after the incorporation of Spain and a number of small amendments, including eliminating the very low contributions from small Caribbean economies.

(ECLAC, as it has been known since 1984) and to this day governs the work of the Institute. Management oversight, accountability and political guidelines are governed by the Regional Council for Planning and pass through the regular channels of ECLAC and the United Nations.

Resolution 493(XXII) adopted by the Commission in 1988 agreed with the main lines of the New Institutional Project for the period 1987-1990, which included: (a) tripartite financing from the United Nations, the Governments of RCP member States (through RSGF) and extrabudgetary resources attracted by the Institute; (b) recognition that the direct contributions to the Institute by the Governments of RCP member States should constitute the regular financing of its multilateral activities and that it is important that member governments should maintain the amounts of the contributions committed and should regularize their timely payment.

The second version of the New Institutional Project covered the four-year period 1989-1992. The Presiding Officers of the Regional Council for Planning adopted the Project in 1990, and also expressed concern over the Institute's serious liquidity issues, arising mainly from delays in government contributions and the depletion of reserve funds. In that regard, the Presiding Officers urged the member States to regularize their contributions and recommended that missions be conducted to non-member countries and multilateral cooperation agencies to explore new sources of financing.

The steps taken by ILPES and its Presiding Officers were fruitful in that they re-established contributions and improved staff employment conditions, although the Council expressed concern over the drastic reduction of the contribution from UNDP.

Meetings of the Regional Council for Planning and its Presiding Officers were held on a less frequent basis from 1994 onward, following the decision taken that year to reduce their frequency to one every four years. The reduction in the number of meetings, especially between 2007 and 2013, led to a fall in voluntary contributions by member States.

The fourteenth meeting of the Regional Council for Planning was held in November 2013 in Brasilia. The representatives of 22 member countries of the Institute welcomed the proposal of structural change for equality presented by the Executive Secretary of ECLAC, confirmed the resurgence of development planning in the region, and noted the ILPES medium-term strategic proposal. The countries elected Guatemala and Ecuador to co-chair the Presiding Officers of RCP over the 2013-2017 period. The Council decided to hold its next plenary meeting in November 2015 in Ecuador, and expressed its willingness to discuss the financing strategy of ILPES.

In June 2014 and August 2015, the Presiding Officers of the Regional Council for Planning met in Antigua, Guatemala and Santiago respectively. At these meetings, ILPES reported on the progress and outcomes of the programme of work agreed at the RCP meeting in Brasilia, which was geared to strengthen the role of the Council as a permanent forum for dialogue, consultation and exchange between the planning authorities of Latin America and the Caribbean. The participants also engaged in discussions over the financing of ILPES, which led to the request, at the August 2015 meeting, for the preparation of this note.

C. CURRENT OVERVIEW OF ILPES RESOURCES

The Institute has a staff of 22 and occupies an area of offices and lecture rooms in the ECLAC building in Santiago. Its regular budget (based on funds received periodically and permanently) comes from two different sources: the regular budget of the United Nations Secretariat and contributions from member countries via RSGF. Infrastructure, logistics, office equipment and administration costs are funded from the regular budget of ECLAC. The Institute also mobilizes earmarked resources by recovering costs for training and technical assistance services. Each of these income sources is described below.

1. Regular budget of ECLAC

The allocation to ILPES of the United Nations regular budget is associated with the programme of work implemented by ECLAC on the instructions of the General Assembly. Programming is biennial and the most recent plan of work, for the 2016-2017 period, was adopted by the Commission at its thirty-fifth session, held in May 2014. ILPES resources from the regular budget of the United Nations finance the cost of four international and eight local officials, plus a small budget for missions and for consulting and temporary assistance work. Over the past five years (2010-2014), these resources amounted to approximately US\$ 1.253 million.

2. Contributions from member States of RCP (through RSGF)

The resources provided under the Regular System of Government Financing are an essential complement to resources from the regular budget of ECLAC. Contributions fell between 2010 and 2014, averaging US\$ 725,000 per year (see table 2). The resources ILPES receives from the regular budget of ECLAC and contributions from governments cover the Institute's general staffing costs (92% of total expenditure) and its technical assistance missions, meetings and seminars (see table 1).

As table 1 shows, the regular resources of ILPES (regular budget of ECLAC plus contributions from the member States of RCP) have averaged almost US\$ 2 million per year over the past five years. Sixty-three per cent was provided from the regular budget of the United Nations and 37% from government contributions. In the period under review, operating expenses (staff, missions and consultants) averaged about US\$ 2.7 million per year, meaning that there was an annual funding shortfall of about US\$ 700,000, which was covered using balances from previous years.⁷

3. Training and technical cooperation agreements

The amounts of training and technical cooperation resources are agreed in specific agreements signed by ECLAC with organizations in member States, aid agencies and multilateral organizations, chiefly to meet emerging demands for training and consultancy services. Over the past five years, ILPES has received resources worth an average of US\$ 1.2 million from technical cooperation agreements (81% of the total) and courses (14%). The Institute uses these resources to cover specific costs related to the provision of training and technical assistance services (see table 1). The Institute does not charge fees for services provided to countries, nor is its work with countries in any way conditional on the payment of government contributions (RSGF).

⁷ For detailed information on budget items and expenditure trends in 2010-2014, see ILPES, *Proposed Strategy and Resource Management* (LC/L.4023 (MDCRP.25/3)), 15 July 2015.

Table 1
**Latin American and Caribbean Institute for Economic and Social Planning (ILPES):
 overview of resources, annual averages, 2010-2014**

Item	Amount (thousands of dollars)	Percentage of total resources
A. Regular income and expenditure		
1. Regular income	1 984	100
Regular budget of ECLAC	1 254	63
Contributions by member States of RCP (RSGF)	730	37
2. Operating expenses	2 667	100
Staff	2 456	92
Consultants, missions, workshops, seminars, etc.	211	8
3. Funding shortfall (2-1) ^a	683	
B. Extrabudgetary resources (agreements and courses)		
1. Training	240	19
2. Technical cooperation agreements	1 996	81
3. Total (1+2)	1 236	100
C. Substantive guidance and infrastructure, logistics and administrative costs		
1. Participation of ECLAC officials in training and advisory services	Contribution in kind by ECLAC officials or expenses covered	
2. Offices, lecture and meeting rooms, auditoriums, office equipment and computers	by regular budget of ECLAC	
3. Editorial services, conferences, telecommunications, information and communications technologies, library and public information		
4. General services and security		

Source: Economic Commission for Latin America and the Caribbean (ECLAC), Latin American and Caribbean Institute for Economic and Social Planning (ILPES), on the basis of financial statements and official estimates.

^b Covered using balances from previous years and the regular budget of ECLAC.

Table 2 shows voluntary contributions from member States over the period from 2008 to 2014. The figures show a downward trend until 2012, with the Institute's actual expenses and cash balance both falling. This trend reversed in 2013, largely as a result of efforts to restore the regularity of contributions, but the total amount received remains a long way from the planned amount. In 2014, contributions to the tune of a little more than a quarter of the expected amount were received, and the cash balance therefore fell below US\$ 1 million for the first time in the period under review.

The structural deficit or shortfall stands at approximately US\$ 1 million per year, as observed in table 2. The cash balance is only sufficient to cover the structural deficit until the end of 2015. If the current trend is not reversed, the Institute will have to adjust its staffing levels and operational capacity downward for the 2016-2017 biennium.⁸

⁸ The deficit identified in table 1 refers to the funding shortfall for expenditure implemented by ILPES on average for the period 2010-2014. The shortfall identified in table 2 refers to the difference between the sum of expected contributions and the contributions actually received.

Table 2
Latin American and Caribbean Institute for Economic and Social Planning (ILPES): voluntary contributions planned for and received from member States, shortfall and cash balance, 2008-2014
(Dollars)

	2008	2009	2010	2011	2012	2013	2014
1. Received government contributions ^a	2 448 243	1 566 300	985 102	667 322	471 236	1 101 580	422 820
2. Planned government contributions	1 575 000	1 575 000	1 575 000	1 575 000	1 575 000	1 575 000	1 575 000
3. Shortfall (1-2)	873 243	-8 700	-589 898	-907 678	-1 103 764	-473 420	-1 152 180
4. Cash balance ^b	3 545 878	3 948 838	3 336 742	2 779 265	1 807 819	1 508 941	890 363

Source: Economic Commission for Latin America and the Caribbean (ECLAC), Latin American and Caribbean Institute for Economic and Social Planning (ILPES).

^a In 2008 a sum greater than the planned contributions was received, as a country made an extraordinary payment for overdue contributions.

^b The balance in year t corresponds to the balance in $t-1$ plus the shortfall in t .

The current state of the resources of ILPES reflects a complex situation brought about by institutional changes in planning in Latin America and the Caribbean, and by the Institute's inertia, strategies and initiatives over the years in a changing context in respect of the resources available to achieve the common objectives of RCP and the Commission of improving planning and public administration in the region.

Strengthening RCP and the services provided by ILPES calls for greater resources to complement this picture. Income from the regular budget of ECLAC and from RSGF contributions are chiefly used to cover fixed costs, such as payroll. The costs of meetings, publications, technical assistance and training are mostly covered by resources provided under agreements or other specific arrangements. The Institute's funding strategy needs to be reviewed to increase and stabilize the availability of resources and to ensure that its action is consistent and aligned with the mandate of ECLAC and the objectives of the Regional Council for Planning.

D. STRENGTHENING ILPES FINANCING

The regular budget of ECLAC allows ILPES to engage human resources on stable contracts and to rely on an operational equipment, logistics and office services infrastructure. Although there are also regular budget allocations to recruit consultants and temporary staff, hold meetings and carry out missions in the region, additional resources are needed to finance this kind of operating expense.

Financing for the development activities of the United Nations Secretariat, which includes the regular budget of which ILPES is a beneficiary, is topic of debate at the General Assembly. In the current international economic climate, and that which is foreseen for the short and medium term, it is not realistic to expect any increase in resources for these activities. Regular income has the great merit of providing ILPES with stability over a medium- and long-term horizon, enabling it to achieve the outcomes set out in biennial plans of work. For plans to be aligned with the goals and priorities of the Regional Council for Planning, the dynamic of RCP meetings needs to be coordinated with that of ECLAC work programming.

The RCP meeting scheduled for November 2015 in Ecuador is well timed for the recommendations of the Council to affect the fine-tuning of priorities for the 2016-2017 biennium, whose programme budget will be approved in parallel by the General Assembly of the United Nations. The Presiding Officers, for their part, should meet in the second half of even-numbered years to be able to monitor the plan of work of the current biennium.

The RSGF has been vital to the workings of ILPES over the past three decades and is a source of funding that helps it to meet the objectives agreed by RCP. Given that the management of financial resources is subject United Nations regulations, the work and services provided by ILPES require the periodic planning of its activities and the allocation of the necessary resources.

For example, at the thirty-fifth session of ECLAC, in May 2014, the member States approved the 2016-2017 programme of work. At their twenty-fourth meeting, the Presiding Officers agreed on priorities and emphases, as well as complementary activities for the programme. The Regional Council for Planning will be apprised at its fifteenth meeting, to be held in November 2015, of the progress of ongoing work and will discuss and agree on new priorities or emphases for ILPES services in the future, especially in light of the 2030 Agenda for Sustainable Development.

For member States to make voluntary contributions to ILPES, legal and administrative arrangements are needed, which vary from one country to the next. In some cases, they take the form of conventions or bilateral agreements, while ad hoc management is always necessary to ensure that the contributions are made. To meet these needs, ECLAC developed a guide for the drafting of agreements or letters of understanding, as appropriate, between ECLAC and the member countries in accordance with their legislative and institutional requirements, incorporating agreed legal, financial and operational aspects that respect the United Nations regulatory framework and the respective national legislations.

At present, requests for voluntary contributions by member States are addressed annually to national planning authorities or ministries, or ministries of foreign affairs, in accordance with the practices that have evolved over the years. Table 3 lists the institutions in each country that presently receive requests for contributions. This list has been amended over time, in keeping with changes in governance structures and the reassignment of ministerial responsibilities. The final column includes the amount of the contribution agreed upon in the 1980s, whose value has diminished in real terms. The present proposal does not consider it essential that these figures be updated, not least in view of the current constraints on public finances in the region. It is proposed that the regularization of contributions would be enough to significantly boost the Institute's finances.

Table 3
Latin American and Caribbean Institute for Economic and Social Planning (ILPES): government bodies providing voluntary contributions and agreed annual amounts, by country
(Dollars)

Country	Origin of voluntary contributions	Agreed amount
Argentina	Ministry of Economics and Public Finance	150 000
Barbados	Ministry of Finance and Economic Affairs	15 000
Bolivia (Plurinational State of)	Ministry of Development Planning	40 000
Brazil	Ministry of Planning, Budget and Management	240 000
Chile	Ministry of Foreign Affairs (in replacement of the Ministry of Planning and Cooperation)	100 000
Colombia	Ministry of Foreign Affairs (with the support of the National Planning Department)	80 000
Costa Rica	Ministry of National Planning and Economic Policy	40 000
Cuba	Ministry of Economic Affairs and Planning	35 000
Dominican Republic	Ministry of Economy, Planning and Development	35 000
Ecuador	National Secretariat for Planning and Development (SENPLADES)	35 000
El Salvador	Technical Secretariat of the Office of the President	15 000
Spain	Ministry of Finance and Public Administration	200 000
Guatemala	Secretariat for Planning and Programming of the Office of the President (SEGEPLAN)	30 000
Haiti	Ministry of Planning and External Cooperation	5 000
Honduras	Technical Secretariat for Planning and External Cooperation	15 000
Jamaica	Ministry of Finance and Planning	30 000
Mexico	Secretariat of Finance and Public Credit	180 000
Nicaragua	Ministry of Finance and Public Credit	15 000
Panama	Ministry of Economy and Finance	15 000
Paraguay	Technical Secretariat of Planning for Economic and Social Development	20 000
Peru	Ministry of Foreign Affairs	50 000
Trinidad and Tobago	Ministry of Finance and Sustainable Development	40 000
Uruguay	Office of Planning and the Budget	40 000
Venezuela (Bolivarian Republic of)	Ministry of People's Power for Planning	150 000

Source: Economic Commission for Latin America and the Caribbean (ECLAC) and Latin American and Caribbean Institute for Economic and Social Planning (ILPES).

E. CONCLUSIONS

The Regular System of Government Financing was set up in a regional context that is no longer valid, since the conditions under which it was established in the 1980s have changed. Regular resources from the United Nations bring stability to the Institute's day-to-day operations, but they are insufficient and are unlikely to increase in the future. The shortfall must be made up by means of a renewed system of voluntary contributions that is stable and institutionalized in each country, since the current situation is characterized by volatility and a long-established downward trend in voluntary contributions.

The system of contributions must now respond to a very different model of planning to that which prevailed in the 1980s; countries are updating, modernizing and adapting their planning systems to the objectives of the inclusive, sustainable development grounded in equality that citizens demand, together with their participation and cooperation in the planning processes of the twenty-first century. Today is the opportunity to align this planning with the development goals and targets included in the 2030 Agenda for Sustainable Development and to give substance and essence to planning instruments —prospective analysis, coordination and evaluation— and ECLAC, through ILPES, is committed to doing just that.

ECLAC hopes that this note will help the Regional Council for Planning, at its fifteenth meeting, to develop specific guidance for voluntary contributions from member States in the context of the programme of work of ILPES, which will report on progress at the event. It is therefore to be hoped that voluntary contributions, as an essential ingredient of the Institute's work, will continue, and thus help it achieve its stated strategic goals.