

ECONOMIC AND EMPLOYMENT COMMISSION

SUB-COMMISSION ON ECONOMIC DEVELOPMENT

TECHNICAL ASSISTANCE RENDERED TO VENEZUELA

Memorandum by the Secretariat

1. The purpose of this memorandum is to furnish the information requested on 17 June 1948 by the Sub-Commission on Economic Development concerning the technical assistance recently rendered to the Venezuelan Government.
2. In the late Spring of 1947 the Secretariat was informed that the Government of Venezuela intended to request its technical assistance on certain fiscal and administrative problems. The two main problems mentioned at that stage concerned: (a) international tax relations; and (b) the structure of the budget. These problems were discussed informally between officials of the Venezuelan Government and of the Secretariat. In the light of these discussions the Fiscal Division of the Department of Economic Affairs undertook certain studies. The objectives of these studies were in the first place, to bring together the most recent lessons of international experience bearing on the problems discussed and, in the second place, to analyze the fiscal organization and development in Venezuela during the last decade. These tasks though they involved a change in the order of priority contained in the programme of work of the Fiscal Division as defined by Resolution 67 (V) of the Economic and Social Council were nevertheless in agreement with the overall objectives of that programme.
3. The material gathered as a result of the preliminary research mentioned in the preceding paragraph was communicated to Venezuelan officials. In addition, it was found desirable that a member of the Secretariat should visit Caracas to survey the situation on the spot and to discuss methods along which the budgetary and tax problems confronting the Venezuelan Government might be approached. Accordingly, in June 1947 the Government officially requested the Secretary-General to send a member of the Secretariat to Caracas for a period of a few weeks. It was stipulated that all expenses involved by that mission would be borne by the Venezuelan Government.

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4. In July 1947, a member of the Department of Economic Affairs made a three weeks stay in Caracas. There he worked together with Venezuelan officials in outlining a programme of studies and reforms bearing on the following matters:

- (a) revision of the structure of the budget so as to separate capital expenditure from current expenditure and to insure the use of capital receipts for financing productive investment and economic development exclusively;
- (b) revision of the procedure of preparation of the budget so as to facilitate long term economic planning;
- (c) revision of the procedure governing the execution of the budget and audit of government accounts with a view to assuring a businesslike operation of government services and to avoiding duplication in administrative and fiscal controls;
- (d) organization of a central service for government purchasing, and contracting and for the distribution of supplies, both so as to economize government expenditure on equipment and to facilitate the establishment or development of certain national industries;
- (e) creation of a civil service system including provision for the recruitment, training, promotion, and social security of civil servants;
- (f) reorganization of fiscal courts with a view to establishing authoritative jurisdictions with a well defined competence;
- (g) reorganization of internal revenue administration, as well as simplification and co-ordination of tax laws and procedures;
- (h) technical reform of the customs tariffs on the basis of the League of Nations model nomenclature and reorganization of customs administration and procedures;
- (i) definition of the standards which should govern the tax treatment of foreign investment in Venezuela and the negotiation of tax treaties with foreign countries to prevent international double taxation and fiscal evasion;
- (g) establishment of a national port authority to administer and develop the ports needed for the economic development of the country and expedite the handling of imports and exports.

5. This ample programme of investigations and reforms was the result of discussions which focused the attention of the inter-relationship existing between all the subject-matters covered. It was also felt that improvements in fiscal institutions and practices could not be entirely successful without being accompanied by far-reaching administrative reforms. It was

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understood that the implementation of that programme was to take the form of a continuous process spreading over a period of one or two years. It was provided that its technical preparation should be entrusted to a special commission provided with adequate advice and means of action. Finally, it was decided that an order of priority among the various problems to be considered by the Commission was to be established according to their relative importance and urgency.

6. During the following months a "Commission for Administrative and Fiscal Studies" was organized, using in part a body which existed previously under the name of "Tax Legislation Commission". The new commission was provided with a permanent secretariat of about twenty-five staff members. To guide the commission, highly qualified advisers, with contracts of three months to one year, were recruited in several foreign countries with the assistance of the United Nations Secretariat. Finally, official sanction was given to the arrangements by a presidential decree empowering the Minister of Finance to carry out the contemplated reforms and to obtain the assistance of other Governmental departments in the action that he was to take. Members of the United Nations Secretariat helped in working out these arrangements: for that purpose, one of them made two visits of a fortnight and another, one visit of five weeks in the latter part of 1947.

7. At the time of writing the results achieved in the administrative and fiscal projects undertaken by the Venezuelan Government with the initial technical assistance of the United Nations are the following:

- (a) a new system of budgetary classification has been adopted in the 1949-1950 budget;
- (b) work is well advanced on draft legislation tending to reform the tax structure of the country with a view to shifting from indirect to direct taxation;
- (c) the committee entrusted with the preparation of measures to avoid international double taxation has made substantial progress and certain approaches for the negotiation of international tax agreements have been made;
- (d) a new draft customs tariff has been completed on the basis of the League of Nations nomenclature and the elimination of certain so-called "colonial" duties;
- (e) the Commission has also recently engaged the services of foreign experts to work on a banking reform and the draft of a new organic law on the central bank has been completed;

(f) a census

- (f) a census of all government employees has been carried out which for the first time assembled the essential data required for civil service planning and administration;
- (g) on basis of the results of that census a new draft system of classification of government position has been prepared and new salary scales adopted;
- (h) on basis of the census again, a system of retirement pension is in preparation and the organizations of joint medical services for government employees is under study;
- (i) an administrative survey concerning the structure and operation of governmental departments and agencies is in progress; it has been completed as regards the Ministry of Finance, the Comptroller's Office and the Ministry of Foreign Affairs; and it is well under way in the Ministry of Public Works, the Ministry of Communications and various autonomous agencies of the Government that are dealing with problems relative to economic development;
- (j) out of this administrative survey has resulted a comprehensive plan for the reorganization of the Ministry of Finance and similar plans are being prepared for other ministries;
- (k) systematic enquiries and preparatory measures toward centralization are being carried out in the numerous government supply and maintenance services.

8. The facts mentioned in the preceding paragraphs, though of great significance for the development of Venezuelan economy, should be regarded as nothing but as interim results. As indicated above, there is about half of a year that the work has begun and it was foreseen from the outset that it should spread over one or two years. At the same time it may be noted that while the United Nations provided the technical services which set in motion these far reaching investigations and processes of reform, its contribution measured in physical terms was that of placing two of its officials at the disposal of the Venezuelan Government for a period which did not exceed six weeks in either case. Moreover all travelling and subsistence expenses involved by the mission of the officials to Venezuela were reimbursed by the Government concerned.