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REPORT OF THE FOURTH MEETING OF EXPERTS ON THE UNITED NATIONS
PROGRAMME IN PUBLIC ADMINISTRATION AND FINANCE*

(Geneva, 29 September-7 October 1977)

* This report is dealt with in the report of the Secretary-General entitled
"Public administration and finance for development in the 1980s" (E/1978/11).

PREFACE

1. The Fourth Meeting of Experts on the United Nations Programme in Public Administration and Finance was held at Geneva from 29 September 1977 to 7 October 1977.

2. The Meeting was convened by the Secretary-General in accordance with Economic and Social Council resolution 1977 (LIX) in order to review progress in public administration and finance in developing countries and recommend additional measures appropriate for promoting the establishment of a new international economic order, to review the feasibility of the development of pertinent objectives in public administration and finance for the 1980s and, in the light of the foregoing, to review the integrated United Nations Programme in Public Administration and Finance.

3. In his opening remarks the Director of the Division of Public Administration and Finance of the United Nations Secretariat stressed the importance of effective public administration and finance infrastructure in the formulation, implementation, evaluation and revision of development plans and programmes and urged the Meeting to identify major issues in this field and possible approaches to their solution at the national levels and the supporting measures called for at the regional and international levels. In view of the cumulative demands placed on public administration and finance infrastructure and in the light of the dynamic nature of the development process which would generate new and continuing demands, he requested the Meeting to take a future-oriented stance and formulate public administration and finance objectives, priorities and strategies for the 1980s.

4. The Secretary-General had invited 19 experts as well as representatives of the regional commissions, specialized agencies, non-governmental organizations and other international bodies to the Meeting. The list of experts, who served in their individual capacities, as well as of others who attended the Meeting is given in annex II.

5. In view of the fact that some of the experts had also attended the Third Meeting of the Experts, held in March 1975, the Meeting wished to recognize the considerations of continuity and change in the election of its officers. The Meeting, accordingly, agreed to elect Anton Vratusa (Yugoslavia) as Chairman and Robert J. Ouko (Kenya) ^{1/} and Kai Saramo (Finland) as Vice-Chairman and Rapporteur, respectively. The Meeting elected Amin Alimard (Iran) and Anibal Martinez Zuleta (Colombia) as Vice-Chairmen for Asia and Latin America, respectively.

6. Prior to the commencement of the Meeting, the Secretary-General had convened a two-day meeting of the representatives of the regional commissions and specialized agencies with a view to exchanging information on their respective

^{1/} The Meeting was subsequently informed that Mr. Ouko was unable to attend.

work programmes in public administration and finance, identifying common interests and discussing ways and means of ensuring greater co-ordination. The principal observations of this Meeting were brought to the attention of the Expert Group. The interagency meeting was attended by representatives of the Economic Commission for Africa, the Economic Commission for Western Asia, the Economic and Social Commission for Asia and the Pacific, the United Nations Conference on Trade and Development, the International Labour Organisation, the United Nations Educational, Scientific and Cultural Organization and the World Health Organization.

7. The agenda of the Meeting as adopted is reproduced in annex I.

8. The Meeting had before it a document prepared by the Secretariat: "Changes and trends in public administration and finance for development" (ST/SG/AC.6/L.17 and Add.1 to 7). It contained three parts. Part one consisted of a survey of recent changes and trends in public administration and finance and focused on developments during the period 1975-1977. Part two of the document postulated future developments in public administration and finance, particularly with a view to assisting the Meeting in the formulation of pertinent objectives and strategies for the 1980s. Part three reviewed the progress of the United Nations programme in public administration and finance for the period 1974-1977 and included the proposed work programme for the biennium 1978-1979.

9. The Meeting was informed that the survey of recent changes and trends in public administration and finance for development contained in part one, appropriately revised in the light of the Meeting's deliberations, would be published for wider circulation among developing countries. Therefore the Meeting decided to limit its own report to policy measures and selected substantive issues that in its opinion deserved priority action for facing the challenge of development in the 1980s.

10. The Meeting was serviced by the Division of Public Administration and Finance of the Department of Economic and Social Affairs. Faqir Muhammad served as Secretary of the Meeting and Michael Bentil and D. M. Bhouraskar served as co-secretaries.

11. The Meeting held 13 plenary meetings. It adopted its report unanimously at its final meeting on 7 October 1977.

12. The present report is divided into two parts. Part one outlines programmes of action for the 1980s for consideration by national authorities and international agencies. Part two contains the analyses of major problems and issues in public administration and finance in the 1980s on which the suggestions in part one are based.

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Part one: Programmes of action for the 1980s

I. MAJOR RECOMMENDATIONS

The Fourth Meeting of Experts on the United Nations Programme in Public Administration and Finance,

Having examined the report of the Secretary-General entitled "Public administration and finance for development in the 1980s" 1/ and the prevailing conditions in developing countries,

Recognizing that public administration and finance requirements of developing countries are growing rapidly as a result of changes in national and international concerns,

Further recognizing that increased public administration and finance capabilities in developing countries are indispensable for meeting the challenge of development in the 1980s,

Convinced that urgent action is needed on a systematic basis at national and international levels to create such capabilities,

1. Recommends to the Economic and Social Council and to the General Assembly:

(a) That developing countries be requested (i) to adopt national objectives for public administration and finance for development in the 1980s, (ii) to formulate action programmes for the realization of those objectives and (iii) for that purpose, to pay special attention to the objectives and recommendations contained in this report;

(b) That the national objectives for public administration and finance for development for the 1980s as well as the supportive international co-operation measures be incorporated into the international development strategy for the third development decade; and

2. Recommends to the Committee for Programme and Co-ordination, the Economic and Social Council and the General Assembly, in order to provide for realization of the above objectives:

(a) That the Secretary-General be requested to monitor changes and trends in public administration and finance on a continuous basis and publish results for use by national authorities and international agencies;

(b) That the work programme of the Division of Public Administration and Finance for 1980-1983 be in accordance with the recommendations of the Meeting of Experts contained in this report;

1/ E/1978/11/Add.1.

(c) That the proposed intergovernmental functional committee on public administration and finance be created as soon as possible; and

(d) That the Secretary-General be requested to arrange for the review of the programme not later than 1979 either by the intergovernmental functional committee, if it is in existence by then, or by the Fifth Meeting of Experts; and that such a review should focus particularly on the specific measures of assistance required by the developing countries to strengthen their public administration and finance capabilities to implement the international development strategy for the third development decade in particular and to improve developing countries' pace of development in general.

II. ACTION PROGRAMMES AND STRATEGIES

National public administration objectives and measures

1. Developing countries have made considerable progress in building their basic infrastructures for public administration (including finance) for development. To meet the requirements of national development in the 1980s both in general terms and in the specific context of the international development strategy for the next decade that is now in the process of being elaborated by the United Nations, the immediate task before developing countries is to further enhance their public administration capabilities.

2. Such capabilities need to be strengthened to impart greater effectiveness to the role of public administration in the formulation and implementation of national policies and measures for development. More specifically, additional public administration capabilities are required to:

(a) Improve the quality of over-all and operational policies;

(b) Achieve greater efficiency, effectiveness and productivity in the implementation of national plans and programmes;

(c) Increase mobilization and fuller use of all human, financial and social resources;

(d) Strengthen economic sovereignty over national resources and participation in international economic co-operation.

3. To bring this about, the developing countries are urged to adopt national objectives for public administration improvement and expeditiously to take the necessary measures for their realization. The Fourth Meeting of Experts on the United Nations Programme in Public Administration and Finance has formulated a set of measures which it believes to be particularly important. While the specific priorities and programmes adopted would vary among countries, depending upon their circumstances, our review shows that in most cases measures are needed to:

(a) Institutionalize planning at different levels of government and administration;

(b) Restructure the machinery of government, particularly the organization of major departments and central administrative institutions;

(c) Build new dimensions in public administration and finance systems, as appropriate, to provide for more effective participation in, and better use of, growing international collaboration for development;

(d) Rationalize public-sector enterprises and promote their efficiency;

(e) Streamline regulatory administration;

(f) Devise and implement new schemes for decentralization of appropriate development functions and strengthen local government capabilities;

(g) Improve public budgeting, taxation and public finance administration;

(h) Foster financial institutions, infrastructures and management;

(i) Improve supply and use of trained manpower for the public services and upgrade capabilities of those already in service;

(j) Increase managerial capabilities of public organizations and enterprises.

4. The above measures have necessarily been stated here in general terms. However, the relevant problems and approaches are discussed in this report and this discussion should help the developing countries to develop specific measures for action at this time.

5. The strategies by which to realize the above-mentioned objectives and measures will have to go beyond the traditional approaches to administrative improvement. They may include:

(a) Periodically determining future capability requirements and initiating priority actions and programmes to create them;

(b) Making public administration and finance measures for implementation of plans and programmes an integral part of the economic and social planning process at different levels; and

(c) Using extra-administrative socio-political devices such as local communities and other social institutions to assume suitable administrative responsibilities.

6. The kind of administrative changes needed for development cannot be achieved through piecemeal approaches. They require planned and continuing action. Developing countries may find it necessary at times to appoint special high-level national commissions to recommend major changes in public administration and finance systems to keep the systems attuned to changing needs and requirements. To be effective such commissions will have to be more than technical bodies; they will have to bring representatives from the necessary political and public concerns into their deliberations.

7. There is also a need to institutionalize within the government itself arrangements for administrative improvements on a continuing basis. For this reason, special consideration should be given to establishing or strengthening departments of administrative reform and making them effective instruments of the top echelons of Governments.

International co-operation support measures

8. To underline properly the continuing importance of international co-operation in public administration and finance and the key role of the United Nations in it, the international development strategy for the third development decade should include both the national objectives and measures stated above and the changes needed in the sources and methods of international co-operation in order to meet the current and emerging needs of developing countries. In determining such needs, special note should be taken of the different circumstances and requirements of groups of countries. For example, some countries are primarily interested in learning about conceptual and methodological advances and experiences elsewhere as an aid in tackling their own comparable problems. Others, particularly small and less developed countries, find international co-operation important even to meet some of their basic needs in public administration and finance.

9. Among the major modifications required in international support measures are the following:

(a) The promotion of technical co-operation among developing countries through measures such as organized schemes for exchange of information, interchange of senior officials and trainers, joint training and research programmes and collaborative research on problems of common interest;

(b) Reorientation of activities more specifically to development issues and needs by the network of international institutions in development administration (subregional, regional, and interregional);

(c) Enlargement of public administration and finance programmes in the secretariats of the United Nations regional commissions;

(d) Strengthening of the role of the United Nations in co-ordinating the relevant activities of international agencies, programmes and non-governmental organizations concerned, with a view to promoting concerted action and approaches;

(e) Monitoring by the United Nations of changes and trends in public administration and finance and recommendation of appropriate national and international measures.

III. UNITED NATIONS PROGRAMME IN PUBLIC ADMINISTRATION AND FINANCE

New dimensions

10. The Programme should be regarded as the focal point for international co-operation activities in public administration and finance. For this purpose,

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the activities and resources of the Programme should be expanded and augmented to make these commensurate with the current needs and requirements of the developing countries.

11. In order to reaffirm that public administration and finance are in the mainstream of development concerns at national and international levels, the United Nations is requested to consider the possibility of convening an international ministerial conference in the near future (a) to analyse problems of managing public administration and finance systems which are rapidly growing in complexity, (b) to undertake a fundamental review of present arrangements for co-operation in these fields and (c) to suggest pertinent measures for the future.

12. In carrying out its activities, the Division of Public Administration and Finance should develop strong linkages with national authorities, subregional and regional institutions and global organizations engaged in similar pursuits. To facilitate the development of necessary linkages with the national levels, developing countries may find it desirable to designate national points of contact. Such points of contact, which could be one of the existing central agencies or a specially established committee or commission, would then become main channels of communication between the Division and the countries in ascertaining the changing needs and problems of developing countries, in disseminating the results of research activities and in obtaining country information on a systematic basis.

13. A related task requiring urgent action by the Programme is that of devising ways and means for better co-ordinating the relevant activities of the United Nations system of organizations, United Nations-assisted institutions and non-governmental organizations. The Meeting was informed that the Secretary-General had convened a two-day interagency working group on 27 and 28 September 1977 at Geneva to exchange information and explore areas of mutual interest. The Meeting welcomed this initiative and requested that the United Nations take action in future to convene similar meetings periodically and also to become the clearing-house of information for activities of different agencies and non-governmental organizations.

14. As to the research and development activities of the Programme, the survey of changes and trends in public administration and finance should be a continuing and major project. The survey will help the developing countries to identify emerging problems and to promote exchange of experiences. It will help the legislative bodies of the United Nations to formulate appropriate international measures.

15. Other research projects of the Division under different programme components should be designed to support the national measures enumerated in the present report. The substantive content of these projects and activities should centre around major issues and problems analysed in part two of the present report.

16. One area in public financial management that deserves special mention here because of its basic importance and the need for early action is that of accounting principles and audit standards. It is recommended that the United Nations consider creating a temporary commission or expert body to formulate and develop generally accepted accounting principles and modern audit techniques for use in Member States. The results, incorporated in an international accounting and auditing

manual, will be very useful to national authorities concerned with improving accounting and auditing for development and to institutions involved in the training of accountants and auditors.

17. In the field of technical co-operation, the Programme should continue to provide assistance to developing countries at their request and on issues indicated by them. At the same time it should give special consideration to promoting technical co-operation among developing countries. Since the nature and requirements of the technical co-operation programme in public administration and finance for development are changing, the Meeting recommends that a small working group be convened by the Secretariat as early as possible to consider new modalities for the delivery of technical assistance services and to promote technical co-operation among developing countries.

18. In addition to research and technical co-operation activities, the Programme should organize meetings and conferences on specific problems in public administration and finance. These should be designed to disseminate research findings and the lessons of technical co-operation experiences, to promote exchange of information and to brief senior administrators and political leaders on important issues in public administration and finance.

19. The Meeting was informed that the work programme of the Division for 1978-1979 had already been submitted to the legislative bodies and that its recommendations could be considered only in preparing the medium-term plan for 1980-1983. The Meeting reviewed the work programme of the Division for 1978-1979 and generally found it in tune with its recommendations. The Meeting expressed the hope that resources would be found for carrying out during the 1978-1979 biennium some of its recommendations, particularly those relative to the international development strategy for the third development decade and the new programme dimensions.

Intergovernmental review of the Programme

20. It is strongly recommended that barring any over-all changes in the United Nations policies on the role of its legislative bodies and their intergovernmental subsidiaries, an intergovernmental functional committee in public administration and finance be constituted as soon as possible to remedy the short-comings of the present situation. At present the reviewing bodies other than the Meetings of Experts do not always have the time to undertake a systematic technical review of the changing conditions and requirements of public administration and finance in developing countries as the basis for adopting international measures. The reviews by the specially convened Meeting of Experts, which are the most detailed and substantive, have been very helpful to the legislative bodies in taking pertinent decisions. But the recommendations of these Meetings are advisory in nature and do not constitute intergovernmental actions since the experts attend the meetings in their individual capacities.

21. The functional committee should assist the legislative bodies of the United Nations in identifying changing substantive issues and priorities in public administration and finance as, on the one hand, the indispensable basis for

determining international programmes as well as resource allocations and on the other hand, as a way of assuring greater attention to such issues by national authorities. The proposed arrangement will bring this important programme on a par with other substantive programmes of the Department of Economic and Social Affairs.

22. The Secretary-General is accordingly requested to submit to the Economic and Social Council and the General Assembly a proposal containing the terms of reference, composition and rules of business of the proposed intergovernmental functional committee on the United Nations Programme in Public Administration and Finance. This committee should be modelled on similar functional commissions and committees now active under the United Nations system.

Next review of the Programme

23. The next review of the United Nations Programme in Public Administration and Finance should take place not later than 1979, preferably by the proposed intergovernmental functional committee on public administration and finance; should the committee not have been established by then, the Programme should be reviewed by the ad hoc Meeting of Experts convened by the Secretary-General under the currently operating system. One of the major tasks of the meeting should be the consideration of measures required specifically to meet the public administration and finance requirements of the developing countries to implement the international development strategy for the 1980s.

Part two. Major issues and problems

IV. INCREASING PUBLIC ADMINISTRATION AND FINANCE
CAPABILITIES FOR DEVELOPMENT

Changing pattern of demands

1. Public administration and finance systems tend to become inadequate everywhere in the world in the face of changing and generally growing demands on them. The situation, however, is particularly acute in developing countries because their needs for public administration and finance capabilities have been constantly changing while the resources available to them have been limited. Frequently, this has meant an accumulation of demands that have remained unfulfilled.
2. The growing demands on public administration and finance systems in developing countries have resulted from a number of causes. The newly independent countries among the developing countries had to build public administration and finance systems for independent existence and for the exercise of their legal sovereignty. They, and many other countries that had been independent longer, had to extend basic State services throughout their realms. Over and above these causes, the emergence of the central role of Government in the national development process created additional demands for administration and finance capabilities.
3. The time available to developing countries in which to create these capabilities has been limited. In some cases it has been only a few years. The basic public administration infrastructure on which they could build has also varied from country to country, varying from rudimentary to fairly developed for traditional services but usually being limited for the newer functions entailed in planned and accelerated economic and social development. Many developing countries have suffered from a lack of financial resources and trained manpower as well as from having a limited supply of managerial, technical and professional personnel.
4. In the face of these heavy odds, developing countries have shown great ingenuity and resilience in meeting the most pressing demands on their public administration and finance systems. Perforce, however, the response has taken the form of improvisations and has frequently entailed over-extension of limited capabilities.
5. The demands on the public administration systems in developing countries will continue to grow in parallel with their economic and social needs and developments. The exercise of economic sovereignty and the action entailed in taking part in the establishment of a new international economic order will require the adaptation of many existing public administration and finance capabilities and the creation of new ones. In sum, the demands on public administration systems will change both in magnitude and in content.

Planning for public administration (including public finance)
infrastructure

6. To meet the backlog of work and the new demands on the public administration systems of the developing countries and to equip them to tackle the emerging problems to the extent possible, it is important to plan ahead for increasing their capabilities systematically. Since it takes a period of time for measures for improving the capabilities of public administration systems to yield results, a future-oriented approach and timely measures are required. Considerable lead-time is required for institution-building for development and particularly for the formation of the necessary managerial and technical personnel.

7. While the availability of public administration capabilities by themselves cannot solve substantive problems such as unemployment, stagflation, food shortages, energy crises, inadequate international economic relations and resource deficiencies, weaknesses in public administration capabilities can have serious repercussions on the effective use of whatever national resources and opportunities are available for development at a given time. On the other hand, the strengthening of public administration systems can lead to greater effectiveness in resource use and to substantially higher rewards in development efforts. The public administration infrastructure in fact greatly influences the quality and outcome of national activities in economic and social development and hence the welfare of the people.

8. In view of the importance of public administration infrastructures for development and the need for future-oriented measures to strengthen them, it is essential to focus on major issues and problems for the 1980s in the expectation that these will provide the basis for timely action by national authorities and international institutions. Only allocation of attention and resources commensurate with the tasks involved can make public administration infrastructures effective tools of a nation in its efforts to achieve economic and social progress. On the other hand, unrealistic demands and exaggerated popular expectations of public administration systems as a rule result in slow or incomplete implementation of public policies and popular disenchantment with development planning.

9. To correct this situation, there is an urgent need to heighten public awareness of the importance of public administration and its rationalization and development on a systematic basis. Planning for public administration capabilities deserves the same degree of attention as that given to other governmental activities. In the meantime, Governments may have to be selective in their priorities for development in the light of available public administration capabilities.

Some major issues

10. Because of the integral relationships among the various components of public administration, planning for it needs to be undertaken in the context of total national development requirements. There are certain elements and values of public administration and finance systems that in the light of past experience and emerging needs call for priority action. Major examples of these include:

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- (a) Improvement of organization for planning, plan implementation and evaluation of results;
- (b) Promotion of greater rationality in policy formulation and decision making as a basis for operational effectiveness;
- (c) Training and development of human resources for public administration;
- (d) Strengthening of public finance infrastructure and management;
- (e) Fostering of entrepreneurial capabilities in public administration generally and in public enterprises particularly;
- (f) Improvement of the efficiency and effectiveness of investment management;
- (g) Improvement of the financial management and performance of public enterprises and of their contribution to over-all national development;
- (h) Strengthening of the regulatory and facilitative role of public administration to enhance the contribution of the private sector to national development.

11. A highly desirable strategy for increasing public administration capabilities is to make planning for public administration improvement an integral part of the over-all planning process. This would ensure that public administration capabilities are appropriately strengthened and fully attuned to the priorities, strategies and values sought in the national development plan. At the same time, account will have to be taken of the resources and opportunities available to the nation.

V. STRENGTHENING NATIONAL PLANNING AND GUIDANCE INSTITUTIONS

National planning

12. The nature and the content of national planning vary greatly among countries, from comprehensive and integrated planning in centrally planned economies to indicative and partial planning in market economies. In developing countries, most of which have mixed economies, the content of planning has ranged from the preparation of multisectoral plans including activities in both public and private sectors to the compilation of public-sector investment programmes only.

13. The attempts of developing countries at national planning have usually meant the establishment of a planning agency entrusted with the task of preparing development plans within the context of a national concept of planning. The functions and influence exercised by such agencies have varied greatly among countries. Generally speaking, however, and barring a few instances of mandatory planning, the role of such agencies has been of an advisory nature and the impact of planning has been limited.

14. Among the major reasons for limited success in planning have been adverse changes induced by external economic developments, external influences on national priorities, fixing of goals beyond national capabilities, inadequate and ineffective use of available resources, including those of the private sector, lack of flexibility to cope with changing circumstances and the short-comings of public administration and finance infrastructures including the organization of planning. A particularly weak link in planning has been the infirmity or absence of planning arrangements in the operating departments as well as in the different levels of government.

15. In order to impart greater effectiveness to national planning for the 1980s developing countries need to take a series of measures, particularly on issues discussed below.

Organization of planning

16. The crux of national planning is the provision of an overriding framework to direct, guide and co-ordinate the activities of public and private entities in the pursuit of national development goals. In this sense, national planning has to be viewed as a pervasive process even though it embodies clearly defined roles for different social institutions, levels of government and segments of the society and for the specialized planning agencies. The formulation and implementation of development plans is a shared responsibility of all of them. Therefore the organization of planning should be based on this underlying concept of shared responsibilities. This involves, among other things, the creation of planning networks at different levels of government and in various sectors of activities. These networks should provide linkages between, on the one hand, central planning agencies and the other decision-making organs and, on the other, between these planning and decision-making agencies and the implementing ones.

17. Some planning agencies have considered their primary task to be the preparation of medium-term economic plans with little or no attention being given to problems of implementation. It was expected that once such plans had been prepared, they would somehow get translated into appropriate policies and action programmes by the large number of organizations and institutions involved in the implementation process. This weak approach should be corrected through the necessary institutional and participatory arrangements.

18. The customary limitation of national planning to economic issues has also tended to decrease its effectiveness. Experience has shown that divorce of national planning from social issues has been adversely affecting the success of economic plans and the expected outcomes. Consequently, the integrated approach to development planning has been gaining wider acceptance although the translation of such an approach into appropriate organizational arrangements and substantive innovations remains scanty.

19. One of the major tasks faced by developing countries, therefore, is to extend the scope of planning to cover both economic and social issues. Similarly, planning

networks have to be created to horizontally cover various sectors and to vertically include different levels of government. Moreover, limits in over-all resources including lack of administrative capabilities would require concentration on the selected strategic priorities and objectives that could feasibly be implemented at a given time. Such strategic planning has to be on a continuing basis to meet changing conditions and take advantage of new opportunities.

Planning for implementation

20. The success of national planning has frequently been diminished by the absence of attention to implementation strategies and requirements. Most development plans to be effective require to be translated into enabling legislation and appropriate policy measures in regard to subjects such as resource requirements and their availability, fiscal and financial actions, staffing needs and technological resources. The implementation of specific development policies and programmes frequently requires concomitant actions on a number of other issues such as wages and prices, labour relations and import and export policies.

21. A major constraint, of course, is the availability of administrative and managerial capabilities for implementing the plan generally and its constituent policies and projects particularly. Most plans have tended to remain silent as to the administrative and managerial capabilities required for their implementation.

22. To be effective, national planning must include details as to implementation strategies, including the provision of necessary administrative and managerial capabilities, concomitant actions required by different departments and jurisdictions and contingency measures that may be called for by changing circumstances.

Planning and popular participation

23. The importance of popular participation to improve the effectiveness of national planning is widely recognized. Popular participation can ensure a correspondence between socio-political and economic objectives and planned targets. It can also contribute to the mobilization of resources and their effective use. Although the form and degree of popular participation is a political question, it has been found that such participation can be improved through the greater involvement in development planning of state and local authorities, trade unions and other social institutions, community groups, farmers' and fishermen's associations and professional and business organizations.

Planning and decentralization

24. Related to the principle of popular participation but not synonymous with it is the principle of decentralization. Decentralization is sometimes advocated as a politically desirable goal or as a means for stimulating greater local initiative in the development process. However, centralization and decentralization cannot be

considered to be alternatives; they are and have to be viewed as complementary in the total process of national development. There are certain functions that cannot be decentralized while there are others that lend themselves to decentralized action. Each country will have to evolve the balance between centralization and decentralization most suitable to its conditions. The important point however is that if decentralization is part of the development planning strategy, it is essential to provide over-all guidelines and frameworks for decentralized activities to ensure the integrity of the national plans and planning processes.

Central guidance cluster

25. The central planning agency is, of course, only one of the elements in the central guidance cluster that is required in every public administration system to make it an effective instrument of development. While the exact organization and functioning of the central guidance cluster is likely to vary among developing countries depending upon their political organization, leadership styles and stages of development, a number of elements in it can be identified as highly important. These include:

- (a) Central agencies for obtaining policy decisions, e.g., offices of the president and cabinet secretariats;
- (b) Central agencies for collecting and processing data to provide the basis for national decision-making, e.g., census agencies, statistical organizations and research institutions;
- (c) Central agencies for mobilizing and allocating national resources, such as central banking and monetary systems, ministries of finance, regulatory agencies and various kinds of financial authorities;
- (d) Central agencies for manpower planning and development, labour relations, wages and prices, and productivity - such as manpower, labour and productivity departments and councils;
- (e) Central agencies for intergovernmental relations, particularly in federated systems, such as intergovernmental councils and agencies;
- (f) Central organizations for promoting the application of science and technology to development; and
- (g) Central agencies for social development, such as education, health and welfare agencies.

26. The effectiveness of national planning is dependent upon the strength of the central guidance cluster as a whole. The major task in many developing countries is to identify the missing links in the central guidance cluster and to provide these expeditiously. The quality and quantity of information available for planning have also been unsatisfactory in many cases and need to be strengthened.

This has to be done judiciously so as not to overload the analytical capability of the public administration and planning systems.

27. Some countries have found it useful to create forecasting and future planning institutions. While these have been more prevalent in the developed countries, there is also a growing interest in them in developing countries. The establishment and working of such institutions can lead to highly desirable debates on national objectives and priorities and on strategies for development under changing national and international conditions and can thereby contribute to the improvement of national policies. Therefore the creation of forecasting and future planning institutions for strategic national issues deserves to be seriously considered by developing countries.

Co-ordination networks

28. The central guidance cluster is also the major instrument for co-ordination. To the extent that it functions effectively and within the parameters of national objectives, it can ensure co-ordinated and concerted action on the part of operating agencies and entities.

29. In practice, many countries have encountered difficulties in achieving co-ordination among various sectors and jurisdictions. The sources of such difficulties have included divergencies between, on the one hand, short-term local and sectoral interests and, on the other, national interests. Frequently, planning and budgeting have also tended to follow differing courses.

30. The attempts to solve these difficulties have often included promulgation of more control procedures and consultation requirements. Such efforts can frequently be self-defeating if allowed to reach the stage where they affect the initiative of operating agencies. Co-ordination should not become control. Therefore, to achieve effective co-ordination without paralysing the initiative of operating agencies, strategically important processes rather than detailed controls must be used. The dissemination of information and the commitment of political authorities to relevant objectives can greatly contribute to the achievement of co-ordination.

VI. IMPROVING THE ORGANIZATION OF PLAN IMPLEMENTATION

Clarifying the role of public administration in plan implementation

31. Many discussions about public administration have concerned intra-administrative issues (e.g., organization and distribution of function among agencies, personnel administration, organization and procedures) and administrative reforms have been aimed at making public administration conform to certain well-known models. The expectation has been that evolution of public administration systems to conform to such models would automatically create capabilities for plan implementation. While such approaches to creating administrative capabilities have considerable validity, they need to be supplemented by consideration of issues specifically pertinent to the requirements of national development.

32. In this connexion, a basic need is to clarify the role of public administration in the formulation and implementation of national development plans. Since developing countries use different strategies and approaches to development, they need a different mix of public administration capabilities. For example, the countries that use compulsory planning and physical ownership of means of production require different kinds of public administration capabilities than do those that rely on the private sector. In the case of the former, for example, entrepreneurship and economic management become the major concerns of public administration. In the case of the latter, public administration requires more facilitative and regulatory capabilities. The extent and nature of the extractive and allocative functions of the State also vary under the two systems. Since most developing countries have mixed economies, they would need a combination of public administration capabilities. Posing the question as to the capabilities of a country's public administration system in terms of its role brings into focus the various functions expected of it and in many cases may lead to the creation of neglected capabilities such as those pertaining to extractive, allocative, facilitative and regulatory functions.

33. The clarification of the role of public administration in national development is also needed vis-à-vis other political and social processes and institutions. For example, the questions raised at the interface between public administration and legislative processes, or between public administration and political parties are important ones. Equally important are the issues involved in the interface between public administration and the public at large. Examples of these include: (a) discrepancies between the expectations of the public and official development goals and (b) the relationship towards public administration of the public, both as citizens and as organized groups (e.g., civic organizations and workers, farmers and employers associations). While some of these relationships are governed by constitutional and legislative provisions and evolve over time, debate about them can clarify many issues and thereby reduce unreasonable expectations about public administration and at the same time make it more accountable for those functions for which it has been made responsible.

34. Another facet of the relationship between politics and administration is the need to have the right equation between political leaders and senior administrators under changing political ideas and conditions. While it is agreed in principle that political and administrative processes have to converge at various levels for the effective management of public affairs, difficulties have frequently arisen in practice in reconciling the demands of political responsiveness and commitment, on the one hand, and ensuring continuity and availability of expertise in public administration, on the other. The traditional concept of civil service neutrality is no longer considered fully adequate to explain the relationship. While a few countries have experimented with devices such as the politicization of senior ranks of public administration and the creation and use of cadres of senior public officials who combine expertise and political feascence, the problem remains far from solved. A major task in public administration remains the development of a new doctrine of relationships between senior administrators and political leaders, which takes into account changing political realities and growing demands of public administration for development.

country to pursue this policy effectively, its machinery of government must include arrangements both for the elaboration and application of science and technology policies in general and for the design and use of specific technologies for various sectors.

41. Similarly, since most problems of development have international dimensions, it is necessary to incorporate in the machinery of government organizational arrangements to deal effectively with such problems.

42. While there are no universally applicable criteria for organizing the machinery of government, it is important that each nation review its organizational structure at the apex to make sure that it is entering the 1980s with administrative arrangements that are commensurate with its aspirations, opportunities, resources and major concerns. Moreover, it is important to keep the machinery of government flexible so that it can readily respond to changing situations and problems.

Area and administration

43. Another dimension of administrative arrangements for plan implementation stems from the prevalence of local government system, territorial organizations and field networks of sectoral ministries. In federated states, there is also the level of constituent state governments with their own network of organizations. The key questions in this regard concern the clarity of the distribution of powers and responsibilities among different levels of government, the effective participation of all levels and entities in the development process, the co-ordination of development activities at a given level and the size of the territorial units effectively able to deal with development problems.

44. The above-mentioned questions assume special significance in the states within a federation. The most common efforts to solve them have been in the establishment of special departments and intergovernmental councils and authorities on different subjects. The question of administration for planned development in these states, however, remains a comparatively neglected area of research - a weakness that needs to be corrected in order to achieve concerted action for national development.

45. The local government and territorial organization of a country generally pre-dates the establishment of field offices by sectoral ministries; in most cases the development of national planning has post-dated both. The growth of urbanization also tends to make local government jurisdiction inadequate to deal with emerging problems.

46. The developing countries have tried a number of organizational arrangements to deal with these problems. The most commonly used approaches have included reorganization and rationalization of local government, creation of territorial co-ordination committees, regionalization of development planning and administration and creation of special development authorities and special-purpose districts.

47. An approach that holds promise for increasing effectiveness of plan

Machinery of government

35. Given the national consensus about the role of public administration in managing national affairs in general and development policies in particular, developing countries need to review the machinery of government to ensure its adequacy for national tasks. The expression "machinery of government" is used here in its common English usage and means the organization of the highest levels of administration under political direction.

36. The most prevalent structure of public administration at the apex has been the organization of government activities into a number of major departments. Such departments have usually come into existence at various times in response to pressing issues and perceptions at those times. Once established, they tend to develop their special volitions and relationships and to become difficult to change in the light of changing circumstances.

37. The structure of departments tends to influence decisions as to which problems are "substantive" and also to introduce complex issues regarding the setting of priorities, allocation of resources and enforcement of co-ordination. In a few instances efforts have been made to resolve these problems by introducing superministerial departments. However, it is widely accepted that periodic fundamental reorganizations and realignments of functions are essential in order to meet changing circumstances.

38. Some countries have administrative units entitled "machinery of government", generally located under the head of government, to deal with the problems discussed above. Their function, however, has generally remained limited to dealing with minor issues such as the allocation of new responsibilities among various departments and the mediation of jurisdictional disputes among departments. Such agencies need to be strengthened and properly equipped in order to keep the machinery of government fully attuned to changing national circumstances.

39. A review of the situation in developing countries reveals that there is a growing divergence between the emerging definition of the problems and issues of development, on the one hand, and the structure of the machinery of government, on the other. While the development problems are increasingly viewed in terms of such matters as food, energy, stagflation, employment, quality of life, environment, human settlements, population and rural development, the structure of the machinery of government remains organized in terms of classical departments, none of which is concerned with the totality of the newly perceived problems. Changes in the content of public policies also create the need for revision of the machinery of government. The considerable discussions that have taken place concerning the application of multidisciplinary approaches to development have been in a way designed to overcome these problems of organization. However, in real life multidisciplinary approaches have had only limited impact.

40. There are also other considerations that indicate the necessity for changes in the machinery of government. For example, there is a growing recognition of the need to promote the use of science and technology for development and countries are individually and collectively pursuing programmes for the purpose. However, for a

implementation is not only the regionalization of national development plans but also the establishment of regions for purposes of planning and co-ordination and the involvement in the implementation process of all entities concerned.

48. The role of local government in national development has generally remained weak in many countries for a variety of reasons. One such reason has been the over-all scarcity of financial resources in most developing countries and the tendency to concentrate the available resources on capital projects and in a few major cities. This frequently deprives local governments of necessary funds, particularly for social services. Other reasons have been the reluctance of national authorities to share power in some cases, administrative short-comings of local governments and tendencies on the part of industrial development and trained manpower to gravitate towards major cities.

49. The changing concepts in development, with their emphasis on basic needs, quality of life and distribution of the fruits of development, as well as the accepted principles of popular participation and decentralization, can be given greater substance and reality by energizing local government and imbuing it with these concepts. The effective involvement of local governments in national development requires conscious and strong efforts to reverse the adverse trends mentioned above through measures such as decentralization, allocation of greater administrative and financial resources to local authorities and introduction of incentive plans. A strong case can also be made for making local governments the co-ordinating authorities for all the activities carried out within their jurisdictions, including those of the field offices of the central departments. Some countries have established special departments at the national level to assist local authorities in acquiring the necessary administrative and technological capabilities and have provided them with easier access to financial resources to carry out their enhanced responsibilities.

50. The phenomenon of depressed areas within nations poses special problems. Many countries have tried various measures such as deconcentration of national offices and activities to such areas, institution of special grants and subsidies, incentives for industrial growth and particular emphasis on building physical infrastructure in them. Doubts remain about the efficacy of such measures to solve the problems of depressed areas and more innovative approaches for assuring a greater flow of financial and other resources for the development of depressed areas are urgently needed in order to bring them up to a par with national standards.

Public enterprises and authorities

51. In many cases, the *raison d'être* and organization of public enterprises are derived from prevailing political systems and principles. In other cases, pragmatic and empirical considerations have dominated, particularly in regard to their forms of organization. These forms of organization have included typical government departments, public corporations, co-operatives and joint stock companies, to mention only a few. In many developing countries the organization of public enterprises as public corporations has been the dominant approach. The justification for establishing them as public corporations has frequently been that they need autonomy, which is not normally available to regular government

departments. This in turn has led to questions of their accountability and the issue has become that of making their autonomy and accountability compatible.

52. Although the public corporation as a device for implementing various development functions is still riding the crest of popularity, it is not without its problems. Some critics believe that the device of creating public corporations has sometimes been used indiscriminately, particularly for non-industrial activities, to skirt the basic problems of the reorganization of public administration. There is widespread agreement that the mushrooming of public corporations tends not only to divide responsibility for a specific function but also to create problems of co-ordination and of the financial relationship between enterprises and government budgets. Questions have also arisen about the relationship of public corporations to relevant functional departments and to legislative and political authorities.

53. The prevalence of public corporations has reached the stage at which the rationalization and clarification of relationships is called for. The developing countries are, therefore, urged to:

(a) Establish criteria under which a function, programme or activity is to be organized as a public corporation;

(b) Formulate sets of standards about the organization and operation of different types of public corporations; and

(c) Clarify the role of public corporations in the national development process, including their relationships with relevant central departments and financial and budgetary institutions.

54. The problems of other para-statal bodies, particularly those of joint ventures, are even more complex in terms of their over-all management and co-ordination. As joint ventures are becoming more common in developing countries, attention needs to be given to devising appropriate mechanisms to make them serve the economic and social objectives of the nation.

Organization of public services

55. While the issues in personnel administration are discussed in section VIII of the present report, here the question of public services organization is touched upon in so far as it affects organization for plan implementation. The organization of public services in most developing countries is literally a combination of hundreds of systems involving different classes, jurisdictions, specializations, professions and remuneration systems. Current systems of organization tend to impede allocation of personnel where most needed, to create inequities and frustrations and to make it difficult to recruit and accommodate persons with newly required skills and specializations - to mention only a few major problems as illustrations. The inherent intricacies of organizational structures are thus further compounded by the special complexity of the way in which public services are organized.

56. What is needed is the rationalization and redesign of public service systems in order to:

- (a) Recruit and retain persons with the requisite skills for the formulation and implementation of development programmes and plans;
- (b) Mobilize and allocate trained staff in accordance with development requirements and priorities;
- (c) Motivate public servants to put in their best performance;
- (d) Avoid the dangers of bureaucratization;
- (e) Allow for maximum use of nationally available expertise; and
- (f) Ensure congruence between organizational structures and patterns of public service systems.

Public management and the use of modern management techniques

57. Given the adequate structure of organizations and the availability of personnel, questions still arise about the use of appropriate working methods and techniques in public administration. Historically, public administration has been more concerned with due process of law and legal techniques than with the expeditious achievement of results. The tradition of droit administratif still remains strong in many developing countries - and rightly so. In fact, public administration has to function within legal frameworks and in full observance of due process of law. This is particularly true in matters affecting citizens' rights and obligations.

58. At the same time, the advent of many commercial, industrial and economic activities in the public realm as part of the state role in national development calls for public management capabilities that historically were associated with the working of the private sector. While public administration even in these instances must function within legal frameworks, there is considerable room for the use of modern management techniques to increase the public management capabilities of national systems. A variety of modern management techniques (e.g., cybernetics, operations research, systems analysis, cost-benefit analysis, PERT, CPM, and behavioural science techniques such as organization development, brain-storming, group dynamics, sensitivity training), some new and some only as it were old wines in new bottles, have come to dominate the management literature. The task of developing countries is to use such techniques judiciously and in the most appropriate cases, but always within the overriding constraints of public law and policies.

59. The basic criterion in this regard ought to remain the public purpose to be served. Instances are not lacking where processes introduced for putting new management techniques into operation have triumphed over purpose.

60. Many modern management techniques are based on the use of computers. In some instances, there has been an indiscriminate introduction of computers either because of their assumed prestige value or because of external pressures of one kind or another. In other cases, no attention was paid to harmonizing the hardware and software systems so that they could be used effectively. In this regard, many countries have introduced national policies and standards for the acquisition and use of computers.

Project formulation and implementation

61. One area in which considerable improvement can be made is in the administrative capability of public organizations for identifying, developing and implementing development projects. The central agencies can play a major role in this regard by promoting project formulation and evaluation techniques and by promulgating standard guidelines.

62. In the case of major development projects, particularly those in technical and engineering fields, developing countries have frequently relied on outside consulting firms and enterprises. It is important that developing countries build their own capabilities for the management of major projects, through the creation of special agencies when this is considered necessary. Such capabilities are necessary in order to ensure effective negotiations and supervision even when the projects are to be actually carried out by outside contractors. In all cases, it is important to involve local personnel to build the necessary national capabilities for subsequent projects.

Regulatory administration

63. One area of public administration that has received scanty attention is that of regulatory administration. Regulatory administration is the main instrument available to Governments to enforce compliance both with nationally established standards in various economic and social spheres and with national development objectives.

64. Regulatory administration has assumed new importance with the determination of developing countries to exercise effective economic sovereignty over their national resources and to ensure that their use both by national private sectors and by transnationals operating in those countries is in harmony with nationally desirable objectives. For these reasons, developing countries need to strengthen their regulatory mechanisms for major aspects of economic activities. The regulatory systems have to be designed and constantly watched to ensure that these activities do not become conservative or begin to create bottle-necks in the development process.

VII. REORGANIZING AND FOSTERING PUBLIC FINANCE ADMINISTRATION

Government budgeting

65. Planning entails the formulation of national objectives and priorities and a strategy of development and calls, among other things, for the creation of new productive capacities and a fuller utilization of existing capacities. Government budgeting has to be a companion process of planning in order that these goals may be realized effectively. The link between planning and budgeting processes is, however, weak in many developing countries and needs to be strengthened.

66. When planning and budgeting are lodged in different agencies, co-ordination between them must be ensured through effective organizational and consultative arrangements. In planned development, the scope of a government budget should not be limited to a statement of the receipts and expenditures of government but should be widened to reflect the over-all concerns of development. In order to give a comprehensive picture of government strategy, a central government budget should cover consolidated transactions of other levels of government and of independent entities within the public sector. Similarly, to ensure consistency and balance in the mobilization and use of real resources the main budget should be accompanied by budgets for foreign exchange, credit, manpower and other real and material resources.

67. Annual planning and multiyear budgeting are useful tools to bridge the gap in the time-horizons between planning and budgeting. A multiyear budget facilitates a closer correspondence between a plan and its operational strategies and stimulates the formulation and pursuit of long-term and consistent policies for the mobilization of resources. It brings into focus issues of demand management and real resource balance and enables co-ordinated and uninterrupted implementation of long-term projects. Annual plans facilitate a progressive iteration of medium-term development plans and provide building blocks for the annual budget.

68. At the operational level, programme budgeting provides an effective means of linking plan objectives and budgets. It is also an effective tool of management. Developing countries should, therefore, urgently consider the use of programme budgeting or its suitable variations for improving budgetary processes for development. Successful working of programme budgeting calls for significant reforms in the prevailing accounting systems, training of officials in the new skills and strong support from the political and administrative leadership. The developing countries should accord priority to these measures.

69. Planning and budgeting in developing countries are faced with uncertainties of both external and internal origin. Such uncertainties are likely to increase in the 1980s. In order to avoid major economic collapses and setbacks, developing countries have to establish reserves not only of foreign exchange but also of other material resources. Reserve management is going to become an important task. The financing and administration of reserves is a new area in which systematic research needs to be undertaken with a view to providing guidance to developing countries.

70. The difficulties of financing, and especially of long-term financing, are

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expected to increase further at a time when the need for it is already growing in developing countries. To step up the level of investment in their development programmes, the developing countries will have to increase both the volume and proportion of the government budget in gross national product. This will be possible only by means of a substantially greater control over income distribution and national flow of funds.

71. Increasing external vulnerability, too, has a strong influence on budgeting. International stand-by arrangements should be supported by national buffer funds connected with the budget and carried over from one year to another. These funds could help to obviate the impact of unfavourable external influences and the adjustment of the national economy to the changes. Coping with uncertainties will call, in general, for considerable innovation and flexibility in budget policies and techniques.

72. Success in the preparation of comprehensive budgets, in the formulation of sound budget policies and in the monitoring of budget implementation depends on the availability of required data and information. The demand for such material, which is quite large, cannot currently be fully met in the developing countries. Measures must therefore be taken for improving the collection and compilation of needed data.

Taxation

73. Taxation is an important policy instrument and must function within the over-all framework of plan priorities, objectives and parameters. Although tax ratios and tax structure changes are generally indicative of over-all performance, greater attention must be paid to the impact of different taxes and their contribution to national and economic goals. Greater tax compliance and increasing use of taxation depend on the people's perception of the government's efficiency in its use of resources and on the extent to which government programmes truly answer the needs and reflect the aspirations of the masses.

74. Tax planning in relation to national development has generally been a neglected field in developing countries. Taxation is assigned a number of objectives in relation to development but steps are hardly ever taken to plan appropriate medium-term tax structures. Continuous and long-term planning needs, for its success, a framework, a methodology and institutional arrangements. The essential features of a well-designed programme for tax planning have to be conceived in terms of four broad and interrelated processes. These involve (a) evaluating the past performance of tax policies and measures, (b) setting targets for tax reform, (c) identifying specific tax policies and measures and (d) introducing administrative changes required to reach such targets. The institutionalization of such tax planning and the development of methodologies for analysis and appraisal must receive high priority, since such measures will both enhance coherence and consistency in tax policy and administration and also facilitate the task of rationalizing tax systems.

75. Considering the historical development of individual tax systems, it will

readily be understood that their rationalization is a time-consuming and a difficult task but that it is an urgent and important one. International efforts should centre on concrete situations in each developing country and examine the compatibility of the designs of individual tax systems with the prevailing socio-economic structures and organizations, with national objectives of development and with the available administrative capability.

76. Rationalization also implies improvements in tax administration for which there is considerable scope in developing countries. The common difficulties in this area relate to the organization for tax administration, the co-ordination, codification and classification of taxes, the availability of trained personnel and the status and powers of tax officials.

77. The organizational arrangements have not always ensured the needed co-ordination among the functions and administration of different taxes. The administration of various taxes has to be co-ordinated since the information and experience obtained in the administration of one tax is often useful and relevant to the administration of other taxes. The United Nations should develop feasible organizational models and information systems on taxpayers' bases and on the factors that affect those bases. Information on the economic and social effects of taxation, on their contribution to national development objectives and on their interplay with monetary, credit and regulatory policies is very scanty in a majority of developing countries. Institutional arrangements for facilitating co-ordination are currently inadequate and must be designed to serve the purpose.

78. With the growing complexity of tax systems in developing countries, it is often difficult to get a full and clear picture of their scope. The most important measure needed to rectify this situation is codification of tax laws. The United Nations should provide guidance on the structure and techniques of codification.

79. The most serious problem in the least developed countries is the acute shortage of trained personnel. This affects efficiency in tax administration and generates a tendency towards summary assessments that result in a greater number of tax appeals. The first and foremost requirement in these countries is to increase the supply of skilled manpower at all levels and this calls for the development of appropriate training strategies, curricula and programmes.

Financial institutions

80. A broad-based structure of financial institutions is essential for the mobilization and allocation of resources in planned development. In the financial structures of a majority of developing countries, commercial banks are the dominant institutions. Many countries have also established public financial institutions to provide development finance to specific sectors. However, judging by the claims of the financial institutions in the private sector and by their relative contribution to the financing of capital formation, the average level of financial intermediation in developing countries remains rather low.

81. A major issue in relation to private financial institutions is ensuring

consistency between their activities and national plan priorities and objectives. Governments have taken several measures to control and regulate the activities of private commercial banks and other financial institutions. These include monetary and fiscal instruments, selective credit controls, direct regulatory measures and, in some cases, nationalization of such institutions. But in spite of the instruments and modalities adopted to influence bank behaviour and credit allocation, there still persists a dichotomy between national development priorities and requirements and the individual behaviour of private financial institutions. One source of difficulty is that neither the development plans nor the annual monetary and credit policies explicitly postulate the sources of funds, the nature and scope of financial intermediation and the role of financial institutions. It is essential to obtain stronger co-ordination at the level of short-term planning. The creation of appropriate institutional arrangements will facilitate this task and will make it possible to formulate a comprehensive approach, one that takes into account the required regulatory measures and the policies and financial instruments appropriate to the tastes and preferences of the savers.

82. The issues arising in connexion with development banks can be divided into two broad types. The first type of issue is related to the nature and scope of the operations of these banks. The second type raises questions as to the adequacy of public development financial institutions as currently structured to act effectively as instruments of plan implementation in all sectors and to receive and effectively use resources from abroad.

83. As to the first set of issues, a major lacuna in the implementation of development plans has been the lack of proper instruments for micro-economic allocation of investments, formulation of specific projects at enterprise level and choice among different projects within a particular sector according to some criterion of optimization. This weakness can be partly remedied if development banks play this role effectively by working out criteria to be used in the formulation, identification and selection of projects. These criteria have to be consistent with the basic parameters of over-all planning and these planning parameters have also to be reflected in the calculation of the social rate of return or the cost-benefit ratio of projects. Another important consideration is that the entrepreneurial and management functions of the development banks tend to be limited and need to be strengthened. In some cases, it may be necessary for development banks to manage some of the projects, at least partially, for a period of time until they can be handed over to competent persons in the industries in question. Care must be taken to see that such projects are sound and that the development banks do not get permanently engaged in the management of such projects. Where necessary, the development banks should also assist their clients in the preparation of project feasibility studies and in monitoring the implementation of projects.

84. The ways in which the sources of finance operate have to be closely integrated with the fiscal and monetary policies of the planning authority. The interest rate policies of the development banks, therefore, have to be discussed with respect to their effectiveness, through the use of different monetary instruments, not only in maintaining the commercial viability of a specific development bank or a particular development project but also in implementing the planned investment allocations and controlling the flow of funds in the economy as a whole.

85. As to the second set of issues arising in connexion with the provision of finance for development, it should be noted that many developing countries do not have institutional arrangements to provide development finance to projects in different sectors and levels of economic activity. To overcome this deficiency, an expansion of the resources and the scope of operations of the existing development banks may not be an appropriate solution. Specific projects and groups have their own typical credit requirements that may justify the establishment of specialized institutions, albeit with caution so as to avoid their unplanned proliferation. In establishing new institutions, account has to be taken of factors such as national development goals and priorities, size of the country, its stage of development, and existing financial structures and instruments. The operational responsibilities of new financial institutions also need to be stated clearly. On the basis of a critical evaluation of existing practices and experiences it is necessary to develop suitable institutional models for groups of countries that are similarly situated.

86. The development banks, in many cases, are also expected to play a major role in receiving and effectively using financial resources from abroad. In practice, however, apart from receiving project or programme aid from regional and international financial institutions, development banks have not played a significant role in attracting financial resources.

87. In this connexion, attention has also to be given to the need of the developing countries for long-term international finance. While the necessity for long-term international borrowing by the developing countries is well known and recognized, developing countries' access to external capital markets has remained limited.

88. On the other hand, there is little doubt that the potential of the international capital market as a source of long-term finance for the developing areas is great - if suitable measures are taken nationally and internationally to overcome the conservative and cautious attitudes of international lenders. In recent years, the question of increasing the access of developing countries to international capital markets has received considerable attention at the international level. Several proposals that would represent improvements have also been made, especially proposals to liberalize the organizational structure and operations of the international bond market and proposals to strengthen existing underwriting and investment procedures. The United Nations should examine the feasibility of these proposals and spell out the nature and scope of the over-all support that national financial institutions can provide to such international institutional arrangements.

89. To ensure proper functioning of development banks within the parameters of development plans and programmes, measures are needed to co-ordinate their policies with those of national planning agencies, central banks, fiscal authorities and other relevant public financial and programming agencies. International action can usefully promote exchange of experience in this field among developing countries and help them design and install appropriate co-ordination arrangements.

Financial management

90. In general, accounting and auditing for government and public enterprises are major tools of financial management that need to be reoriented and strengthened to meet changing demands of development.

Government accounting

91. In the management of the development process, agencies and officials responsible for plans, budgets and programmes need continuous information on the structure of the economy, the mobilization and use of resources and their costs, the outputs generated and the contribution of outputs to national objectives and goals. Moreover, data are required not only on the financial aspects of transactions but also on their economic and physical aspects and performance. In order to achieve consistency and allocative efficiency in the management and implementation of development programmes, such data are needed at the national, sectoral, programme and project levels.

92. Such information cannot currently be generated in many developing countries due to the weakness of the accounting systems that prevail in them. Among the reforms needed in these accounting systems are the reconciliation of budget and accounting structures, training of accountants, decentralization of accounting responsibilities, proper record-keeping and production of timely and accurate data.

93. In the 1980s, the scope of public accounting systems needs to be extended to define and introduce new accounting concepts and to establish multiple accounting structures to generate the various kinds of data required for planning and managing public activities.

94. There is also growing interest in the measurement of the cost, performance and productivity of government programmes. Cost accounting which is particularly relevant to these concerns is most beneficial in the case of tangible developmental projects and needs to be promoted.

95. The costs and benefits of specific projects are of critical importance since it is at this level that development strategies find their concrete expression. Therefore the strengthening of accounting at the project level can improve its management and also throw considerable light on efficient use of resources and on optimal resource mix. This information and experience can also assist in the preparation of project feasibility studies and suggest policies for dealing with new or altered constraints.

96. The prevailing practice in many developing countries is to have a central accounting office in charge of all accounting functions. In some countries, accounting and project management functions are divorced. There is also little liaison among planning, budget, accounting and audit agencies with respect to accounting functions and development of indicators. If accounting is to serve the over-all needs of development management, it is essential to ensure co-ordination among all these agencies, including project executing agencies and public enterprises. To ensure such co-ordination, institutional arrangements have to be

designed and installed. Developing alternative institutional models of co-ordination and defining the scope and substance of co-ordination are urgent tasks in this field.

Public enterprise accounting

97. Another major area of concern is that of public enterprise accounting. The management accounting needs of public enterprises have to be formulated in terms of sources and use of finance, draft on real resources, value-added in production, outputs generated, rate of capital consumption, fulfilment of objectives etc.

98. There is no single system of accounting that can be used to produce all the information needed for management. Several approaches have to be used in combination. As a first step, it is essential to establish uniform but practicable definitions of concepts. Clarity in concepts is a prerequisite to the development of a methodology and a coherent framework for evaluation.

99. Practical approaches in accounting are flow-of-funds accounting, cost accounting, cash management accounting and depreciation accounting. With regard to flow of funds, a simple framework needs to be developed. The principal problem in cost accounting is to strengthen its use and extend its application to various facets of public enterprise operations. In the case of depreciation accounting, the important problem is to determine the rates of depreciation for various types of assets. It would be useful to formulate some feasible guidelines in this respect. Another question to be taken into account is that of the costing of assets for depreciation. Historical and current value approaches are usually considered but their implications according to type of industry and assets and their impact on the finances of enterprises have not been fully explored. A comprehensive examination along these lines will aid in the formulation of appropriate structures and pricing policies.

Government auditing

100. The function of traditional audit is to verify the legality and financial accuracy of transactions. Even this function is not being effectively performed in many developing countries owing to the weakness of the accounting systems that provide the basis for audit, the lack of trained auditors, the insufficiency of the resources allocated to audit, the absence of clearly defined audit standards and in some cases the less than full independence enjoyed by audit authorities. As a first step, audit institutions and their capabilities need to be strengthened for traditional functions.

101. There is also a need to add a new dimension to audit functions. Gradually, audit institutions should participate in collaboration with planning and programming agencies in the task of evaluating the efficiency and effectiveness of government programmes and projects.

102. Several measures are essential to enable audit systems to move in this direction. In the first place, budgeting has to provide a foundation for audit of performance. Planning and budgeting have to formulate clear targets and specific

efficiency goals against which performance can be measured. A comprehensive methodology of evaluation, incorporating targets, efficiency goals and target efficiency-related reporting and analysis needs to be developed to facilitate the audit of performance and to link it more closely with planning and plan implementation. Agencies involved in planning, budgeting, accounting and audit have to collaborate in jointly defining the underlying concepts and units of measurement. They have to agree on their respective roles in performance audit and on the linkages between internal and external audits.

103. Within this broader framework, it is essential to evolve institutional arrangements for the internal or management audit that needs to be established and strengthened at various levels of government and at programme and project levels. An important prerequisite for auditing effectiveness is harmony between internal and external audits both in conceptual and functional terms.

104. A crucial issue in developing countries is the audit of public enterprises. The role of the supreme audit authorities varies from country to country according to constitutional provisions and traditions. But there is an increasing tendency in developing countries to entrust national audit authorities with the task of auditing public enterprises. The lack of experience within the national audit institutions renders the execution of this task difficult. The most important thing that the United Nations can do is to develop both suitable standards and techniques of audit and also evaluation criteria for different types of public enterprise for use by national audit authorities.

Public enterprises

105. The priorities with respect to public commercial and industrial enterprises are to increase their productive efficiency and profitability so as to enhance their contribution to an accelerated process of capital formation. They should also be used as instruments in a strategy designed to achieve a just distribution of income and wealth and for regional development.

106. To facilitate measurement of the efficiency of public enterprises, national development plans should provide clear guidelines on the objectives to be attained at both the sectoral and plant levels. Where multiple objectives are to be achieved, plans should specify the weights to be attached to them.

107. Productive efficiency depends on a number of factors of endogenous and exogenous origin. The state of personnel and financial management, the availability of trained manpower, the organization of work and the degree of commitment are some of the endogenous factors. External to an enterprise are factors such as the fiscal, monetary and credit policies pursued by Governments, the foreign exchange needs and the availability of and access to technology.

108. Improving productive efficiency will call for greater innovations. Worker participation and "self-management" are approaches that may be considered in this respect. Effective participation of workers in management and decentralization of responsibilities to them will ensure their co-operation and will create among them

a healthy awareness of the economic and social consequences of their actions both on the enterprise in particular and on the national economy in general.

109. Productive efficiency is a prerequisite for profitability. But the profitability of public enterprises will also depend on the pricing policies pursued. Here again, Governments should provide concrete guidelines at the plant level and indicate clearly the goods and services in respect of which subsidies are warranted on grounds of social welfare considerations. Such guidelines should be consistent and apply equally to both public and private enterprises producing the same goods and services. Pricing policies should cover the costs (operating cost, depreciation, interest etc.) and, where feasible, aim at maximizing the profits. When subsidies are warranted on social welfare grounds, they should be provided explicitly from the government budget and not be borne by the public enterprise concerned. The sharing of such cost by the general taxpayers is to be preferred to its being borne by the enterprise or the sector in question.

110. Public enterprises also afford ways and means of making a significant contribution to the distribution of income and wealth. Instead of concentrating the ownership of assets entirely in government hands, workers, farmers, artisans, co-operative societies etc. can be induced to subscribe to the equity and loan capital of enterprises. The diversification of the ownership of public assets will enable them to share in income accretions.

111. A related role that public enterprises can play is in regional development. Backward or depressed areas do not normally attract private-sector investment. Public enterprise provides an ideal instrument for the development of such areas. Through linkages, indeed, public enterprise involvement may induce private-sector initiative and investment and an accelerated growth of backward areas.

VIII. DEVELOPING PUBLIC SERVICES

Manpower planning for the public services

112. Developing countries have made rapid strides in staffing their public services, particularly in the area of general administration. None the less, many of them continue to suffer from lack of managerial, technical and professional personnel. In some cases, the situation arose because the countries concerned did not have the basic educational and professional institutions to train personnel in the requisite disciplines and skills. In others the educational infrastructure, although it was well developed for certain purposes, was not geared to produce the necessary expertise and the skills required for national development.

113. A desirable way in which to solve this problem is through long-range personnel planning for the public services in the context of national development. To be meaningful, such planning has to include provisions for the broad categories of professional, technical, managerial and supervisory personnel required for the public services and an indication of the educational and professional standards deemed necessary for various categories and for different levels of staff. Once this is done in relation to a medium-term development plan and preferably also for

a longer planning period, it will be possible to determine the staffing needs that can be met from the products of the existing educational system; further, it can be determined what supplementary education and training will be required either for training personnel not produced by the educational system or for making the products of the educational system suitable for the public services.

114. The prospects of development in the 1980s would be greatly improved if the developing countries were to undertake systematic personnel planning geared to the needs of national development and in the light thereof to organize the necessary educational and training programmes. A major task in this regard in many developing countries is the establishment of local professional standards and certification procedures for the large number of occupational categories involved in the national development process.

Recruitment and induction training

115. Assuming that the developing countries are able to generate an adequate supply of trained staff for their public services, it becomes important to ensure that the public service intake systems are adequately designed to recruit the different categories of personnel required by them. In many developing countries, public service systems were designed to recruit a limited number of generalist and clerical personnel and have found it difficult to adapt themselves to deal with the large number of specialist and technical personnel required for developmental tasks. In such cases, there is an urgent need to rationalize the public service systems to enable them to recruit the growing number of technical and professional personnel required for development.

116. Many countries also suffer from excessive delays in the recruitment process for the public services. There have been complaints in some countries that such delays drive better qualified candidates to other employment and in any case visit hardships on aspirants wishing to join the public services. Many countries have found that positive recruitment policies and elimination of delays have improved the quality and quantity of intake into their public services.

117. Once the candidates are recruited, they are expected for the most part to learn their public service jobs in situ. The only exception to this is the extensive pre-service training given in some countries to the entrants to their élite services. While on-the-job training might have been adequate in more leisurely times, today it is important that all new entrants be given pre-service training so that they can start functioning effectively as public servants in the shortest possible time.

Compensation

118. An issue that has emerged in many developing countries is that of the appropriate compensation system for the public service. The issue has many facets. At one level the problem is analysed in terms of the lowness of the rates of compensation for staff in the highest echelons in the public services relative to

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those prevailing in the private sector, including the transnational corporations. In other cases the issue has generated industrial disputes due to inequities in the levels of pay within the same organization or functional area. This is said to cause not only dissatisfaction among personnel but also both the exodus from public service of highly trained staff to the private sector and the holding of multiple jobs by public functionaries. There is a need to study the problem of compensation in the total context of the economy. The issue of appropriate systems of salary and compensation is a highly complex one, since it includes, among other factors, questions of social equity and the general income policies of a country.

119. The rampant inflation in many countries has introduced new dilemmas with respect to the compensation system. On the one hand, there are demands for an increase in compensation to offset inflationary trends. On the other hand, any increases may be considered inflationary and Governments are supposed to curb inflation. Many countries have resorted to the use of cost-of-living index adjustment but the system has not been without its problems.

120. There are few systematic studies of compensation systems and their impact on the ability of government services to retain their most qualified personnel and to motivate them to put in their best performance. Similarly, there is little information available on the implications of inflation for compensation systems and the methods for accommodating them without serious upheaval.

121. While every developing country will have to find the compensation system most suitable for its circumstances, the problem has assumed such importance as to warrant its systematic study and the articulation of principles governing compensation schemes.

Rights and responsibilities of personnel in the public services

122. New questions have also arisen as to the rights and responsibilities of personnel in the public services. The influx of large number of industrial workers into the public sector has tended to bring into the public services some issues that have historically been more associated with the private sector. Such questions include the right of employees to unionize, strike and participate in collective bargaining and their right to take part in politics. The trend towards unionization has in some cases extended to middle-level managerial personnel who are demanding more participation in decision-making in their organizations, including a right to career development planning. The question of the rights and responsibilities of personnel in the public services has joined other labour questions in the international forums and moves are under way to formulate and promote international standards and conventions on such issues.

123. In some developing countries there is a growing tendency for senior management personnel to be expected to belong to or at least to subscribe to the political philosophy of the party in power. In other countries, senior personnel though expected to have commitment to political and social goals are barred from taking part in political activities; however, junior personnel are allowed to participate actively in politics at either national or local levels, or both. In yet other

cases the entire public service is politicized and all civil servants as well as the holders of political offices are required to be members of the ruling party.

124. In view of the circumstances outlined above, it can be seen that the traditional concept of civil service neutrality is no longer fully valid in developing countries. The need is to develop new principles that promote the political commitment and responsiveness of public services but at the same time assure the optimal use of the expertise available in them. It is also important to devise and introduce effective methods for performance evaluation in public services.

Public services and full employment

125. The public services in some countries have been expected to provide employment to as many educated people as possible. This creates a situation in which the public service may find itself with a surfeit of employees whom it cannot properly use and at the same time with a serious shortage of the personnel it really needs. Such situations make it difficult to assess the performance of the public service meaningfully. The introduction of automation in certain government organizations and processes also raises questions about employment policies and standards that need to be carefully analysed.

126. The growing concern about unemployment has given rise to the concept of government as the employer of last resort. While this is a highly desirable social objective, the use of public services to absorb the unemployed has proved inimical to the effective working of public administration and should be discontinued. The problem of unemployment needs other approaches and these are under consideration by many Governments and international organizations.

127. The growing problems of unemployment in the 1980s will exert further pressure on public services for expansion. The developing countries need in this regard to study labour-intensive methods in the development process and also to review the special work and employment programmes needed to accommodate the unemployed if the Government is to act as the employer of last resort.

"Brain drain"

128. The problem of "brain drain" has two major aspects. One aspect is that the emigration of highly qualified people abroad from developing countries adversely affects those societies as a whole, including their public services. Emigration of doctors and technical personnel is a case in point. The other aspect is that qualified persons are lost by the public services to the private sector or to transnational corporations. Though such persons continue to be available to the society at large, their exodus from the public services adversely affects the performance of these services.

129. The loss by public services of qualified personnel, particularly of personnel at senior levels, is a serious problem in many countries. Among the causes may be

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inequities in terms of conditions of service, staff changes following change of governments and other political dynamics. It is important to analyse the various causes and to devise ways and means of curbing loss of qualified personnel from the public services without violating the fundamental rights of the personnel involved.

In-service training and public service efficiency

130. Continuing education and in-service training have gained wide acceptance in developing countries. Today, practically every country has an institute of public administration and large ones have many such institutes to conduct in-service training. However, it has been difficult to assess the impact of in-service training on the performance of public employees. In fact there is a growing feeling that many of the in-service training programmes have become routinized activities with little impact on individual development. In some cases, the programmes are even considered irrelevant to the needs of the country. Underlying this weakness is the rush to establish training institutions without first determining their objectives.

131. One of the major tasks faced by developing countries is to review their in-service training programmes with a view to improving their contribution to public administration performance. In the first instance, all training programmes, including in-service training, ought to be derived from manpower plans. In regard to these plans it may be found that the in-service training programmes necessitate instituting more specialized courses in the place of generalized and undifferentiated ones, raising the relevance of course content to specific national and cultural requirements and making the administrative milieu more receptive to the newly acquired skills and capabilities. In fact, the public administration environment is the most important single variable - the prevalence of the proper environment will make people develop the skills and attitudes that are in demand. Training methodologies and training of trainees also need to be emphasized to improve the quality of in-service training.

132. Another reason that in-service programmes have had only limited success may be that they have not included all the echelons that need to be upgraded. In-service training programmes for senior managers still remain a rarity. If senior managers were exposed to and convinced of the utility of in-service training, it would have beneficial effects on the desire of lower-echelon staff to participate in in-service training programmes. Effectiveness of training can also be enhanced by linking it to the policy on placement in order to ensure that civil servants are assigned to the jobs for which they are trained. A related requirement is a continuing evaluation of the civil service machinery from the angles of recruitment, compensation, promotion and other aspects of personnel management. The whole question of financing and cost of training also needs to be explored.

Women in the civil service

133. Participation of women in development and the exercise of equal rights by them

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have also become major concerns in most countries. A significant avenue for women's participation in national development is their employment in the public services. For this reason, ways and means of increasing the employment of women in public administration and of meeting their special needs require special attention.

Superannuation and retirement systems

134. Among other important issues bearing upon public services are questions of superannuation and retirement systems. The age of superannuation has become a subject of debate; there is growing sentiment in favour of retaining productive workers indefinitely and devising humane methods for letting others take early retirement.

135. A related question concerns the cost of retirement plans. On the one hand, such plans tend to grow expensive with the passage of time and can become a serious drain on public funds. On the other, retirement benefits may shrink because of inflationary pressures.

136. Questions about the age of superannuation and about retirement plans are likely to assume greater importance as more older people wish to remain active in the public services and as retirement plans continue to entail increasing costs. These are complex questions that require thorough analysis to provide guidelines for action in changing circumstances.

Annex I

AGENDA OF THE MEETING

1. Public administration and finance in the 1980s:
 - (a) General discussion
 - (b) Action relating to planning:
 - (i) Central institutions for direction
 - (ii) Administrative capabilities for plan implementation
 - (c) Managing public finance infrastructure:
 - (i) Government budgeting and financial management
 - (ii) Financial institutions and public enterprises
 - (d) Developing public services:
 - (i) Public personnel systems
 - (ii) Training and in-service development
2. Programme of action for the 1980s:
 - (a) National programmes and strategies for increasing administrative and financial capabilities
 - (b) International co-operation support measures and programmes
3. United Nations Programme in Public Administration and Finance for the 1980s
4. Adoption of the report

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Economic Commission for Africa
Economic Commission for Europe
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World Health Organization

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