

**AIRGRAM**

**DEPARTMENT OF STATE**

5270057-②

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April 30, 1970

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FROM . LINA

SUBJECT . General Public Administration PROP

REFERENCE . NON-CAPITAL PROJECT PAPER (RRPP)

Country: Peru

Project No: 527-11-720-057.2

Submission Date:

Original X

Project Title: GENERAL PUBLIC ADMINISTRATION

(National Planning Institute)

U.S. Obligation Span: FY 1962 through FY 1971

Physical Implementation Span: FY 1962 through FY 1972

Gross life-of-project financial requirements:

U.S. \$ 2,762  
FY 1962-1969 (1st phase  
2,303) FY 1970-1971  
(2nd, phase 459)

U.S. Owned local currency 0

Cooperating country cash  
cash contribution "in kind" only (see text)

Other Donor \$ 1,165

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AID AND OTHER CLEARANCES  
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A. SUMMARY DESCRIPTION

A reasonably efficient public administration is essential for any country's economic and social development and for the success of AID projects, at least those that are not totally private sector oriented. The deficiencies of public administration in Peru and the drag they have exercised on development has been evidenced throughout the years of AID assistance by delayed and inadequate project preparation and implementation and by wasting of scarce domestic resources through inefficiency. In addition, poor administration contributed to the financial crisis of 1967-68 that initiated a period of economic stagnation that continues to date. The present Revolutionary Government has recognized the urgent need for public administration reform by including it among its top priorities and initiating the reform within the first weeks after it took power.

The ultimate objective of AID public administration assistance is efficient, professional public administration responsive to the needs of the public it serves. The means to this end are the development of modern, simplified organizations and procedures, particularly for financial and personnel administration; the training of public servants in applying the new procedures; and the introduction of the procedures throughout the government on a standardized basis.

AID assistance provided during the first phase of this project made possible a thorough analysis of public administration needs and recommendations for meeting those needs and led to the establishment of an effective institution dedicated to public administration training. This phase having been essentially completed, the project has moved into a second phase involving the development of a new legal, organizational and procedural structure for public administration. During the remaining life of the project, primary emphasis will be given to the completion of so-called "systems", consisting of standardized, government-wide regulations, methods, terminology, etc., for the functional areas of financial administration, personnel administration, procurement and supply management, planning and auditing.

The completion within the scheduled time frame of the drafting and final approval of a basic law, regulations, and manuals for each of these areas and a start on the application of the systems is considered a crucial test of the GOP's continued interest in public administration reform. Meeting of this test then possibly could lead to a new type of AID assistance in the application of the new systems, should the need and desire for such assistance exist at that time. (For this purpose a preliminary proposal (PPP) is being submitted.)

AID inputs during the remainder of the project will consist of the services, under contract, of 5 long-term advisors, 12-15 man-months of short-term consultants, and a small amount of participant training.

GOP contributions to the project from 1965 through 1968, calculated solely on the basis of the ONRAP budget, amounted to \$750,000. (Earlier financial data are not available). ESAP currently has an annual budget of \$315,000; the budget of the Priority Project for Public Administration in INP is \$100,000, and that of the Property Tax Division of the Tax Office is approximately \$20,000. However, these figures do not by any means encompass the total GOP input since the bulk of the work devoted to the structural reorganization and development of new systems is being carried out by teams of experts in the functional areas involved in addition to their normal duties, and costs cannot be allocated.

ESAP received assistance from the Latin American Institute for Economic and Social Planning (ILPES) in the form of 16 professors provided at a cost of \$32,000 in 1969, and 19 professors are expected to be provided in 1970 at an estimated cost of \$24,200.

The UNDP has approved a five-year program of assistance to ESAP, scheduled to begin August 1970. At a total of \$964,800, the assistance will consist of 31 1/2 man-years of technical services, 15 man-years of scholarships, and \$50,000 worth of equipment. The Peace Corps also provided 2 teachers to ESAP in 1969 and is recruiting for replacements. The GOP has had the services of a UN government finance expert since early 1969 and this assistance is expected to continue through CY 1970. The property tax program benefits from the part-time services of one member of the OAS/IDB tax assistance team, which is scheduled to continue at least through CY 1970.

NONCAPITAL PROJECT FUNDING (OBLIGATIONS IN \$000)

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COUNTRY: Perú

Project Title: General Public Administration

PROP DATE  
Project N° 527-11-720-057.2

Fiscal Years	AP	L/G	Total	Con.	Personnel Serv.			Participants		Commodities		Other Costs	
					AID	PASA	CON	U.S. Ag.	CONT	Dir. US Ag.	CONT	Dir. & US Ag.	CONT
Prior through Act, FY <u>1969</u>	AG	G	2,303	2,296	-	-	1,629	7	125	-	123	-	419
FY <u>1970</u>	AG	G	141	141	-	-	84	-	8	-	-	-	49
FY <u>1971</u>	AG	G	318	318	-	-	278.5	-	14.5	-	-	-	25

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Table 1

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Project No 527-11-720-057.2

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Fiscal Years	AID-controlled Local Currency		Other Cash Contribution Cooperating Country	Other Donor Funds (\$ equiv.) (Estimated)	Food for Freedom commodities		
	U.S. owned	Country- owned			Metric Tons (000)	CCC Value & Freight (\$000)	World Market Price (\$000)

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Prior through Act. FY <u>1969</u>	-	-	-	90	-	-	-
FY <u>1970</u>	-	-	-	1,075	-	-	-
FY <u>1971</u>	-	-	-	-	-	-	-
Total Life				1,165			

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## B. SETTING OR ENVIRONMENT

As in most developing countries, the public administration system in Peru is archaic and inefficient. Because of the key role that the government must play in the economic and social development of the country, such a state of affairs presents a serious obstacle to development in general and to the achievement of most, if not all, AID objectives in Peru. Moreover, the very restricted resources available for carrying out government activities necessitates the most efficient possible use of these resources, particularly in the sense of financial management, but also in the whole general area of public administration. In addition, as the government inevitably increases its role in the economic and social life of the country and as taxpayers are expected to contribute a larger share of their income to pay for government services, there is a growing public demand for an efficient, professional public administration responsive to the needs of those it serves.

AID assistance in attacking this problem, provided since 1962 through a contract with the Institute of Public Administration (IPA), was initially directed toward the development of a viable institution which would provide a base for research, advice, and training, in the field of public administration. This first phase is considered to have been essentially completed. During this phase, IPA worked primarily through the National Office of Public Administration Reform and Training (ONRAP).

ONRAP studies of the existing status of public administration in Peru and research and recommendations for reform of this administration have formed the basis for the structural reform presently taking place. ONRAP, itself, has been reorganized into a new Higher School of Public Administration (ESAP), which as its name implies, will concentrate on the training aspects of its former responsibilities. It is already effectively training some 450 civil servants a year in courses of varying duration. Future research needs will be more of an up-dating nature and will be fulfilled by ESAP and other agencies, such as the National Planning Institute (INP).

The second phase into which reform of Peruvian public administration has moved is the introduction of new organizations and systems. The first part, involving principally a more rational distribution of functional responsibilities among ministries, reduction in the number of decentralized agencies and better Central Government control over their policies and budgets, and standardization of the organization of ministries, is well underway. The second part, which has recently begun, is related to the introduction of new so-called "systems". These systems consist of ~~standardization~~ standardized, government-wide methods, regulations, terminology, etc., in functional areas such as financial administration, personnel administration, procurement and supply management, planning and auditing.

Initially, the introduction of these systems requires the drafting and approval for each of the areas of a basic law, regulations, and manuals. The third and final phase of the public administration reform, into which there will be a gradual transition, application of the systems throughout the government.

### C. STRATEGY

As indicated in the preceding section, AID strategy for assistance in public administration reform has been modified as a result of changing circumstances and the achievement of initial objectives. Whereas such assistance was formerly concentrated on a single institution and aimed at research and training, this type of assistance is being phased out.

ESAP appears to be well-established, and is receiving good support, both in terms of financing and cooperation from other agencies of the government. It has requested and is or will be receiving assistance, particularly in the nature of teachers and scholarships, from other donor agencies. Therefore, further AID assistance to the school will be temporary and restricted to the minimum necessary to assure a high standard of administration and curriculum and to maintain coordination with other donors and between the school and actual reform activities being carried out by the GOP with AID assistance. Moreover, it is not contemplated that AID assistance will be provided in the area of research, except incidentally as part of the services of advisors whose primary function is related to the carrying out of reforms.

The principal focus of AID assistance during the remainder of the life of the project will be the introduction of new organizations and systems, particularly the latter, on which the most work remains to be done. The degree of emphasis in terms of the amount of assistance devoted to specific systems will depend upon the priority needs of the GOP. As will be seen in section E, first priority is being given to financial administration i. e., budgeting, accounting, and auditing.

Both the focus on reform of organization and systems and the specific emphasis on financial administration represent agreement between the GOP (in actions as well as words) and AID with regard to priorities in public administration reform. The general focus reflects a logical progression from the first phase of the reform in which studies identified the deficiencies of the basic structure of the public administration system. The emphasis on financial administration is derived from the key role of this area in government operations and the highlighting of its shortcomings by the 1967-68 financial crisis in which policy errors were compounded by administrative deficiencies.

It should be noted that toward the end of the first phase of AID public administration assistance described earlier, a trial effort was made at a different approach to such assistance. This involved an attempt to introduce specific reforms, i. e., in financial

and personnel administration, in selected ministries (Agriculture and Education) where other AID projects were concentrated. It was recognized at the time that such an approach was second choice, made necessary by the lack of strong high-level GOP support for a broader and more fundamental approach.

However, the present GOP administration, which is clearly reform-minded, has given its full support to a reform of organizational structure and government-wide systems, thus making the preferred strategy possible. Introduction of the new standardized systems into the various ministries and agencies will constitute a future phase of the reform, following a more logical pattern. While the immediate benefits to specific sectors in which AID is interested might thus appear to evolve more slowly than under the "pilot project" approach, our experience with the latter makes this uncertain. Moreover, our chosen strategy promises a much more lasting impact on these sectors, as well as a greater overall contribution to the broader U.S. interest of economic and social development.

#### D. PLANNED TARGETS - RESULTS AND OUTPUTS

Under the first phase of the project, a thorough study and evaluation of public administration in Peru was completed and recorded in nearly 150 studies, two-thirds of them prepared with the direct assistance of IPA advisors. These studies form the basis for the structural reform now being carried out in public administration.

Fifty-four Peruvians have received training in public administration in the U.S., Puerto Rico, and/or third countries under this project, nine of them having received long-term training. Eighty-three percent of these ex-participants continue to work in public administration, and a number of those ~~performing~~ performing key roles in the implementation of the public administration reform received training under the participant program or at ONRAP which trained 3,370 persons over a period of 5 years. ONRAP's successor, ESAP, is currently training approximately 450 civil servants a year, and, while no immediate increase in enrolment is planned, it is expected to be viable institution without further need for AID assistance by the project's termination date. During the remainder of the project, an additional 10-12 participants are expected to be trained in fields related to the present emphasis of AID assistance.

Prior to the termination of the project, assistance being provided to the Tax Office of the Ministry of Economy and Finance, will have resulted in establishing an effective administrative system for the application of the property tax, created for the first time in Peru in 1968. By this time a property tax assessment audit manual will have been developed, auditors selected and trained, land value maps prepared, and audit programs for the property tax developed. Over \$14 million dollars was collected for the first year in which the property tax was applied, and it is expected that this amount can be nearly doubled once an effective audit program is in operation.

With regard to the present primary focus of AID assistance, it is planned that basic laws, regulations, and manuals for all five public administration "systems" (financial administration, personnel administration, procurement and supply management, planning, and auditing) will be completed during the remaining time span of the project, and introduction of the systems throughout the government will have begun for at least some of the systems.

#### E. COURSE OF ACTION

During the remainder of the life of the project, three long-term advisors, to be supplemented by 12-15 man-months of short advisory services, will assist the GOP in the introduction of new organizations and systems. One will work with the Priority Project for Public Administration Reform of INP; one will assist in developing the "System" for financial administration; and one will divide his time between the financial administration system (specifically the accounting aspects) and developing the audit "system". The first mentioned of these advisors is expected to arrive in July or August of 1970, and the other two are presently on board.

Three months of advisory services in the field of procurement and supply management and 2-3 months of services related to job classification are scheduled to begin in April 1970. The balance of the short-term services are expected to be in other specialized areas of personnel administration and in support of the long-term advisors. No assistance is planned for the development of the planning "system", for which the GOP has received help from ECLA.

One long-term advisor presently providing phase-out assistance to ESAP will continue approximately through CY 1971. The long-term advisor assisting the property tax program is expected to complete his work in the second half of 1971. Present long-term assistance in personnel administration will be eliminated by August 1970.

The remaining participant training to be provided under the project will be primarily short-term training in support of the main area of emphasis (i.e., organization and systems) and will be carried out mainly in Puerto Rico or third countries. Specifically programmed for departure in mid 1970 are 4 participants to study and observe treasury, budget, accounting and public debt operations in Mexico for a period of 2 months and 1 participant to study audit operations in Puerto Rico for a similar period. Long-term academic training in the U.S. may be provided to one or two participants if well-qualified candidates can be spared from important duties during this intensive period of reform.

No local cost expenditures or further commodities are to be provided except those in support of technicians.

*[Handwritten signature]*

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**DEPARTMENT OF STATE**

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SUBJECT - 527-11-720-057.2 Public Administration PROP

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1. AID/W Evaluation Panel reviewed this PROP on July 23, 1970. It is approved for the life of the project (through FY 1971).
2. The panel was somewhat concerned about the current focus of this project. With only 18 months left in this contract, it is hard to see how the Mission can accomplish all of the project objectives by FY 1972.
3. AID/W would appreciate review of a PAR on this project.

ROGERS

OTHER AGENCY

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DRAFTED BY AMHughes:pga (Draft)	OFFICE LA/OPNS	PHONE NO. 29882	DATE 8-3-70	APPROVED BY: LA/DP:JHeller
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AID AND OTHER CLEARANCES

AP/P:JGapsinski  
LA/DR:WFeldman *WJ*

LA/DP:BCampnick

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