

END OF TOUR REPORT

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Public Administration Advisor

This report covers events during two tours of duty in Asuncion from February 1961 to November 1964.

The technician spent some 5 months in Paraguay on TDY from USAID Brazil before a transfer to post was made in July 1961.

General Objectives and Specific Goals

The role of public administration assistance in Paraguay has been principally to increase the management capabilities of the GOP, so that through improved planning and execution of programs in the public sector, Paraguay can more effectively assimilate and benefit from the assistance provided by the U.S., the international agencies, and from the expenditure of its own funds to accelerate economic development and social progress.

Tactically this goal has been sought by projects of (1) manpower development, both long and short range and, (2) the development of a better institutional base for the major management functions by which the Paraguayans themselves can constantly evaluate and perfect Public Administration.

As Chief, Public Administration Advisor, the technician was also assigned the responsibility for representing the Mission on higher education affairs, with responsibility to coordinate, in the interests of institutional improvement, the resources of the three manpower development contracts in higher education, and for the planning and development of a College of General Studies at the National University of Asuncion.

Activities

Two projects were active when the technician arrived in 1961. (1) a project to improve the administration of the customs service through the advice and assistance of a U.S. Customs Advisor, and, (2) a project to assist the National University of Asuncion create and develop a School for the teaching of management and administration to college students.

In-Service Training Center

In November 1961 an agreement was signed with the Ministry of Finance to set up a large scale training program for public employees, largely to train in the non-supervisory and office administration skills.

USAID thus had assistance projects for both short and long range manpower development, as well as a management improvement project in the vital area of Customs which produces 20-25% of the public revenues.

Management Study

In 1963 the technician undertook a management study of the Ministry of Education. The report which contained recommendations for an overall reorganization was submitted to the Minister in December 1963.

A similar project has been developed for the Ministry of Agriculture in 1964 to be done by a private management consulting firm.

Higher Education - College of General Studies

The technician prepared a report on the problems in higher education which was submitted to the Rector of the National University in April 1963. As a result the technician was appointed Chairman of a Bi-national Committee consisting of members of the U.S. country team and important University officials to develop a plan for improving higher education.

This Committee developed the project for the College of General Studies as the first step in a long range plan for institutional improvement. An agreement was signed in January 1964 for a cooperative project to create the new College. New York State University at Buffalo is under consideration as the U.S. institution to provide the technical assistance.

Administrative and Fiscal Reform

In early 1964, the technician developed a comprehensive plan for administrative and fiscal reform that would be financed principally by a long term soft loan. The plan covers a five year period and is aimed at developing the central or common management services of the national government into viable institutions on which sustained national management growth in public administration can be realistically anticipated.

In the technician's view the plan, if adopted, as well as the tactics for carrying it out, would represent a major shift in Mission policy from previous years. Rather than simply repeat the recommendations from the plan in the final section of this report, the plan itself is included as an appendix to this paper.

Favorable Aspects

The most favorable aspect for development in Paraguay is the increasing political stability that has been created by the present administration, now 10 years in power. Although the economy has not moved forward as fast as desired over the past four years, the base is being firmed up and there have been some individual examples of new economic activity that are encouraging.

With increasing stability, the Paraguayan public administration has grown less defensive about its system and practice and more analytical and critical of its deficiencies. Sufficient progress has not yet been made to expect an enthusiastic response to recommendations for such politically dangerous moves as freezing employment in the public service to hold down burgeoning expenditures, or the adoption of even modest organizational changes which would reduce the tremendously time consuming, but politically potent practice of the daily confrontation between cabinet Ministers and the most lowly citizen on any trivial matter.

Nevertheless, intense interest has been demonstrated, by the Minister of Agriculture at least, for a management study and a reorganization of his Ministry. The hard facts of reorganization however, still may not be politically palatable in 1965 given the current stage of national development and the still narrow leadership base.

Unfavorable Factors

One of the most unfavorable factors has been the absence in the GOP of any centralized responsibility, direction or coordination for the improvement of public administration. Most of the outside assistance has been directed toward improvement at the departmental level and the benefits have neither been widely shared throughout the executive branch nor have they been long lived since there has been no overall, or national institutional base to protect and foster the gains that were made. For example: technical training for departmental personnel officers has not affected personnel practices over a ten year period because there is no system for personnel administration in the national government.

In the absence of any coordinating office in the GOP for administrative reforms, USAID and the international assistance agencies have cooperated only in special sectors. This has led to a rash of some 18-20 narrow gauge projects since 1951, which have had at best a superficial effect on the national administrative system. USAID projects to improve Public Administration in Paraguay since 1952 have generally been developed in conformance with the proclivities of the technician assigned to the post

at the time rather than because of any priority within an overall plan. As a result, the GOP still does not have any clear idea of the immense and complicated job that must be done just to start its public administration on the road to improvement through action based on self-analysis, self-evaluation, and self improvement.

The problem of coordinating the resources of USAID and the international agencies seems likely to remain unsolved until the GOP has a national plan for administrative reform and a coordinating office with authority to determine priorities at the national level.

Too much duplication of projects still exists and the GOP continues to blindly accept offers of outside grant-aid without realizing the counterproductive results of such a policy. For example, in December 1963 USAID submitted to the Minister of Education a lengthy and detailed analysis of the management system and recommendations for the reorganization of the Ministry of Education. This was a planned step in the program of assistance to Education, and was to be followed by the assignment of a U.S. technician to the Ministry along with some office supplies and equipment to begin a thorough reorganization. Before the details could be worked out, however, the Tripartite Group (OAS-IBD-CEPAL) working with the National Economic Planning Commission brought in a technician for a six-eight month period ostensibly to work on administrative reform in the Ministry of Education. This technician is unfamiliar with the larger framework in which the reorganization must take place, and the fact that neither his sponsoring agency nor the Ministry has programmed the resources to purchase even the minimum additional equipment for the technician to work effectively tends to destroy the confidence of Ministry personnel and reduce the initial momentum created by USAID. Meanwhile, the whole question of future U.S. participation is unresolved in the midst of a large U.S. effort over several years for the improvement of Paraguayan public education.

Finally, the government is now in an acute stage of a chronic fund shortage so that it is difficult to generate even modest amounts of funds for counterpart purposes even when funding requirements are scaled upward on an easy curve over several years.

In the case of higher education, the technical assistance projects in four different schools and colleges of the National University have not been able to materially change or improve the badly deficient basic structure and practice of the parent institution. Meanwhile, projects in higher education of a more fundamental nature, continue to go begging, because government resources are too short to do more than meet the continuing requirements of the older projects which were not aimed at improving higher education per se.

Evaluation of Results

Measured in terms of the narrow and immediate project objectives all the activities in public administration over the past four years have been highly successful.

In the area of manpower development, the School of Public Administration fills a long range need to prepare college trained specialists for important administrative posts in the public service.

The new School appears to be firmly welded onto the higher education system. The first class of students has completed the four year course and 20 have graduated. There are now 4 Paraguayans with Master's degree in Public Administration from U.S. Universities and four more in training to carry on the work when U.S. assistance terminates in January 1965. In 1959 there was not a single Paraguayan with a graduate degree in Public Administration in Paraguay.

In addition, a small but professionally good reference library has been established with U.S. assistance to the School. Moreover, the continuing orientation of the School has strengthened the recognition among Paraguayans of the need for administration training at the college level.

The short term needs for mass training of public employees at the lower levels have been met by the creation of a Center for In-Service Training that has given formal training courses for some 3000 public employees during 1962-64. Although widely supported in the GOP by the rank and file employees, its future as an institution is temporarily in doubt because of the shortage of local funds to maintain the activity as a Paraguayan institution when U.S. aid ceases.

The project to assist the Customs service was phased out in July 1963. after four years of technical advice and assistance. The major share of the recommendations made by the technician were adopted into law and regulations which are now in various stages of implementation.

Good progress has been made by the GOP with its tax reform program. At this time the National Assembly is considering a series of several new tax laws. This is the first step in a far reaching effort to provide more public revenue as well as to enact fair and administerable laws. The U.S. assistance role will be to help develop a better administrative system for the new tax laws using consultants from U.S. Internal Revenue Service.

In summary, there has been a great deal of success in achieving the physical objectives of the project if these are measured in terms of the number of people trained, or the quantities of books bought, etc. Paraguay however, has been able to achieve very little basic or institutional improvement.

that will serve to change the way the GOP has traditionally managed the public business. While it is conceivable that no important desirable changes were possible during the past ten years, given the conditions extant, the absence of emphasis on institutional building has, by default, given the field to assistance projects of higher public relations value, but which in fact have not contributed effectively to the political and social restructurization of the society. Unfortunately, projects such as the one for the School of Public Administration have not been sufficiently institutional to create a facility that can maintain the high standards necessary to obtain a reasonably adequate education. Instead we have helped to create another appendage to the University which, when U.S. assistance is terminated, will regress to approximately the same low educational level that the University maintains generally.

As mentioned earlier, not enough new projects of an institutional nature can be undertaken immediately because of the need to meet the continuing commitments of the many less-basic activities that were initiated in earlier years.

Meanwhile, some progress is being made with a project for institutional improvement of higher education planned for 1965 through the creation of a College of General Studies. Two other projects, the National Economic Planning Commission, and the Center for the In-Service Training of Public Employees, have also had good beginnings. Because they are making fundamental changes in the traditional way of doing things, however, they will still need outside assistance for a period of time before their value is sufficiently recognized locally to acquire an adequate guaranti budget.

Recommendations

Administrative and Fiscal Reform

USAID, and if possible in cooperation with the international agencies giving assistance to Paraguay, should prepare and present to the President of Paraguay and his principal staff an evaluation of the total problem in administrative and fiscal reform.

Secondly, the President should be urged to create an institute of administrative reform or a similar unit responsible to the Presidency, and give to it the authority to plan, organize and direct the reform program. Included in the authority should be the responsibility to review, coordinate and channel the outside resources obtained for administrative reform at both the national and the departmental levels.

In-Service Training Center

It is recommended that close contact be maintained by USAID with the Director of the Center after the transfer to the GOP of this project. Although the Center is well staffed by Paraguayans to conduct the type of training that has been demonstrated by the Center over the past three years some lowering of the efficiency is expected. The influence of the Center can be strengthened through the use of technicians on TDY to offer courses in the areas of popular interest, especially job classification and fiscal control. When an Institute of Administrative Reform is established the Center should be transferred to it.

Higher Education

It is strongly recommended that USAID continue to give full support to the creation of the new College of General Studies using the plan which was developed in 1963-64. The College is the best approach to achieving institutional improvement at the National University and has sufficient public support to accomplish basic reform.

In view of the interest of the New York State University at Buffalo in expanding its role at the National University of Asuncion to include technical advice and assistance to this project, it is further urged that a new agreement be negotiated with Buffalo to provide the needed technical advice and assistance.

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The technician and his family arrived in Asuncion on June 1, 1962 on direct transfer from USOM/Brasil, to assume the duties of Chief, Public Administration Advisor. This report therefore covers a 12 months period ending July 1, 1962.

I. General Objectives.

The objectives in the field of Public Administration have been to assist the Paraguayan Government to obtain a more responsible execution of public policy by improving the organization and management of government services. This was to be achieved principally by systematizing the methods and procedures in the administrative process in what is known as the institutionalization of the administrative functions. It would result in better national planning, responsible budgeting, merit employment, work standards, equitable salaries for public employees, etc.

The Mission goal has been to assist in the institutionalization of as much of government administration as possible with the available Paraguayan leadership.

II. Activities.

Responsibility for developing a national economic planning institution has been assigned to the economic advisor. The Division's attention was directed toward (1) basic reforms in personnel administration through the creation of a new Public Service Law; (2) the

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Technical assistance in Public Administration could be more effective if it were better coordinated with the other AID assistance areas. Each basic activity such as Health, Education, and Agriculture tends to stress the technical aspect of the program without sufficient emphasis on the management problems in rendering the service in an efficient and economical manner.

American personnel directing large scale assistance programs of an operational nature tend to rely on the US governmental administrative system to conduct the activities rather than insisting or assuring that the counterpart local government agencies establish the administrative machinery necessary for a reasonably competent execution of the program once US assistance has been withdrawn.

In many cases the Ministries are now in no better condition management-wise to conduct their affairs in a responsible way than they were when TA was first made available.

IV. Evaluation of Results

The overall system for administration is still so underdeveloped that improved planning and management at the Ministerial level does not give even the minimum results that should be expected.

The value of the individual assistance projects for specific methods or systems improvement in the national government has therefore tended to dissipate rapidly once US personnel leave the scene.

The government is studying the various proposals made by the several international agencies, including a planning commission, and the public service law. ~~The political climate, however, does not offer encouragement.~~ Basic reform in a single area e.g. a planning Commission, probably would not bring any significant improvement in the well being of Paraguay; the problems are so interrelated that basic reforms must be made simultaneously on a broad front for any real success.

Results appear to be reasonably satisfactory in the development of the School of Public Administration. Physically the implementation of the project has kept pace with the planning. The School has received public notice, support, and prestige far beyond what it merits as an institution capable of rendering a public service. If it can continue for a decade, however, it undoubtedly should play a basic role in the administrative reform of the national government.

The most disappointing aspect has been the failure to secure adequate US technical advice on a continuing basis to assist the School through the

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formative phase. This has resulted in lower standards than those desired.

Excellent results have been obtained in the customs project where revenue has been significantly increased through better control measures. The new systems and procedures are being applied and the result appears to have had a favorable effect on other tax agencies whose collections have been improving.

It is too early to evaluate the results of the in-service training project which was inaugurated in May 1962. The goal to train 1000 non-supervisory employees per year appears attainable and since the training is practical the improved skills will become immediately usable.

V. Recommendations for the future

1. The programs of education and training on every front should be enlarged and strengthened. All present and future programs which have a demonstration or joint operational component in the initial phase should include more emphasis on creating the system and techniques for planning and management by the host government.

2. Continued stress must be placed on the requirement of basic reform as the necessary first step to national progress. In Paraguay this must include a national economic planning institution, a modern public service law, a revision of budgeting practices, and fiscal reform involving changes in both the tax base and the administration.

Finally, training programs of a practical nature should be continued on a large scale for the mass of non-supervisory employees who too frequently do not have even the simplest of skills for the discharge of their duties.

In closing this report it is an agreeable task to acknowledge the leadership and service furnished by the Mission. The cooperation and assistance given by the Mission Director, Mr. Russell, and his immediate staff, in dealing with the local government and in resolving the problems of new policy and program was outstanding.

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ADMINISTRATIVE REFORM IN PARAGUAY
A FRESH APPRAISAL AND
CORE ELEMENTS OF A PROPOSED PROGRAM

U.S. Assistance in Public Administration

The U.S. has been assisting the Government of Paraguay in various projects for administrative reform continuously over the past 14 years. Most of these programs have resulted from the joint recommendations of ministerial representatives and the U.S. Advisors serving in the Alliance for Progress and related technical assistance programs for Paraguay.

Some gains have been made; the great variety of projects has served importantly to orient government officials to the advantages of modern management; and they have also provided limited amounts of management training for a large number of employees.

These efforts, however, spurred by the U.S., as well as by several international agencies, have not resulted, even to a modest degree, in completing the job that needs to be done. It seems clear that if the GOP is to achieve significant advances in Public Administration with the help of the Alianza, a more productive approach must be adopted -- one that is more responsive to the human, as well as the financial, requirements.

Certainly much has been done. Two projects at least, the School of Public Administration in the National University and the In-Service Training Center for Public Employees, will soon be self-sustaining. On the other hand, because of the very limited U.S. and Paraguayan resources which have been allocated annually to administrative reform, there has never been enough money to implement the great bulk of the individual proposals in the coordinated manner needed to produce a rise in the overall effectiveness of public administration. Moreover these projects were undertaken in one or another ministry or agency as no central management facilities exist for most of the common administrative or housekeeping services. Thus, there has been no way by which improvements which were introduced could be spread throughout the government. The increases achieved in governmental services have accordingly not been commensurate with the time and money expended over the past decade.

Although other technical assistance projects in public administration had different primary objectives, such as the installation of a new administrative system, new procedures, new laws, etc. in most cases the only measurable result has been the training of local personnel connected with the project.

Generalizations Based on Assistance Given to Date

In view of the foregoing it seems appropriate that officials of the Paraguayan government together with members of the U.S. Economic Mission and the interested International Organizations should reexamine the complexities of administrative and fiscal reform in Paraguay, as well as the kinds and amount of resources the two governments and the international agencies might bring to bear toward their solution.

First of all, administrative and fiscal reform must be viewed as one problem. The processes of administration are so interrelated that improvements in fiscal policy do not automatically create benefits if the related procedures for administration of the policy are not also efficient and effective.

Moreover, public administration must be viewed as a whole. Experience demonstrates that the lowest, rather than the average, level of efficiency involved in any series of related administrative procedures determines finally the amount of goods and services a government offers. If administrative reform is to mean more goods and services for the public at the same or at lesser price than previously, then technical assistance, if it is successful, will have to improve generally all the processes that span administrative activity.

Improving tax collection, for example, will not produce the expected benefits if planning and budgeting are not adequate to ensure effective use of the funds currently available, let alone the additional monies anticipated by better tax administration.

If the thought is followed a step further, one can foresee the frustration that would result from vastly improved planning and budgeting practices if at the same time the administrative system is not also adequate to collect promptly all the taxes that are owed. If the Treasury is unable, because of national fiscal and administrative policies, over which it has insufficient control, to make available for expenditure the periodic allotments of funds to the ministries and agencies when they are due, the additional funds that might be available from better tax administration will not solve the problem.

Critical Quantity of Reform

Regardless of how well assistance projects are planned, if their scope is too narrow, they are likely to raise more problems than they solve. For example, in public education a large scale program to upgrade teachers accomplished only superficial objectives. While the

project sought to improve the quality of the teachers, it could not undertake to solve the related problem of budgeting for higher salaries. As a result there were no additional funds to pay the teachers who had been promoted. In some cases the better trained teachers were shunted aside in favor of those with a lower professional rating; in other cases they were forced to accept employment at the previous salary level.

There is, however, an inherent inadequacy in an annual program of one or two uncoordinated projects which may temporarily improve the performance of a single operation, but whose initiation has not forced the creation or improvement of the institutional base and thus adds no multiplier factor for system betterment.

As with the principle of antibiotics, unless you inject sufficient units into the system and maintain the dosage at a sufficiently high level, the malady, instead of being destroyed, may build up defenses and even immunity.

For Paraguay, the conclusion seems inescapable that a modest technical assistance program of one or two limited projects a year in Public Administration is not of a critical size. Furthermore the gains registered through scattered projects tend to erode rapidly. In the case of the Ministry of Public Health, for example, substantial improvements were claimed for internal ministerial administration when the project was terminated in 1960. By 1964, however, these improvements had faded to the extent that the managerial effectiveness of "Health" was not fundamentally different than the level of other Ministries, who received no similar assistance.

In the normal course of events those who are responsible for the administration of the national government will undoubtedly continue to achieve some degree of success in striving for better performance. If by a happy combination of leadership and other factors, a reasonable portion of the gains in a narrow sector of administration can be maintained until the efficiency rises generally throughout the system, well and good. All too frequently, as illustrated above, the improvements do not become permanent. History simply repeats itself with another personality or force that temporarily elevates the administrative capacity of one or another segment of the system. But these improvements have not been sufficiently organic, and with time their effect has diminished.

National economic growth, however, cannot realistically be expected in the accelerated degree desired without a corresponding increase in the ability of the government to efficiently plan and execute parallel programs of national social and educational significance. A higher priority must therefore be assigned to administrative reform.

Financial Considerations in Programs of Administrative Reform

Public administration touches every facet of the national life, so that reform programs which are sufficiently fundamental to affect its

institutional nature must be very broad in scope. The public judges governmental administration by how well each agency performs its operating function, be it agriculture, education, health or the lesser known services. The optimum efficiency of these functional programs, however, must depend primarily upon government-wide management services. Agriculture, education and health programs will never be satisfactorily carried on until these services are organized on a more centralized basis for national application in a uniform manner that will permit comparative analysis and evaluation.

The resources for a comprehensive attack on all these interrelated and common administrative processes must be fairly large. In the case of Paraguay it is estimated that the costs of such programs exceed that which could be funded by U.S. grants, nor have the international agencies the resources to undertake the job. Therefore some other method of funding the principal projects must be adopted. In the final analysis, a five year comprehensive assistance program, financed by a loan would not cost more, and might very well cost less, than the same projects financed one or two at a time on an annual basis and strung out over 10-15 year period. Ecuador, for example, recently secured an AID loan of \$1.6 million to implement a broad gauged plan of administrative reform over a short term.

Loans for public administration have not been popular in the past because they did not appear capable of generating funds for repayment. Conservatives estimates, however, show that the anticipated increases in revenue from better tax administration could produce much more than the amount needed. In Ecuador it has been estimated that the loan could be repaid with only 50% of the increased revenues expected from better public administration.

If a program of administrative reform is to be successful the leadership upon which it will depend must come from host country nationals holding high positions within the governmental hierarchy.

While programs financed by loans may be more loosely administered than grants, the former more nearly satisfy the recipients country's desire to control the use of funds. Indeed greater national self-identification with the origin and operation of reform programs is necessary if durable local support is to be obtained and maintained.

Development loans depend for their success in good part on whether there is a sufficient understanding between the lending group and appropriate host country officials prior to making the loan. The goals sought must be those truly conceived and prepared by the host country. The fundamental, though broad, decisions reached must be basically indigenously oriented and authored primarily by host country officials. Meanwhile, the lenders must be convinced that the plan is sound enough to have a reasonable chance for success. The question of when there has been a real meeting of minds is, of course, a matter of discretion and experience. The time will not be reached however, until a mutually defensible program has evolved. This may require long and arduous

orientation, but it is the capstone of the process.

One of the very important advantages of a comprehensive program of administrative reform would be a better utilization of the diverse international agencies, whose resources are being constantly offered in one form or another to Paraguay.

It has been the custom, in the absence of a centrally planned and directed national program of administrative improvement, for the various international lending and technical assistance agencies to initiate proposals for assistance to the Government of Paraguay that are tailored to the preference and resources of the agency making the proposal rather than in accordance with any established list of priorities. Although this is to be expected since such a list does not yet exist, it has materially reduced the force and benefits of the many internationally sponsored assistance activities.

Once the national government has made the decision to attack the problem in its vitals, and is prepared to centralize the planning and the overall direction of the reform program, the various and uncoordinated resources which are now haphazardly applied can be more efficiently directed toward the overall program goal.

As a first step the Government of Paraguay should create an agency directly responsible to the President to review the organizational and management needs of the executive branch, and to develop and maintain current, comprehensive plans for their improvement. Assistance furnished from international sources could thus be channeled on a priority basis, and the varied, narrow gauge projects now in progress could be more effectively coordinated toward the overall goal.

Scope of Proposed Administration Reform in Paraguay

A comprehensive approach to administrative and fiscal reform in Paraguay would require improvements in five major areas of public administration. Projects in these individual areas will not necessarily have to be launched simultaneously, but the planning for the overall job should be completed and the resources necessary ought to be in hand before any of the detailed work is begun.

The individual projects already in progress sponsored by OAS, UN, A.I.D. and other international agencies should be continued, indeed their effect would be increased when coordinated within a comprehensive reform effort. All that is needed is a review and, if necessary, an adjustment in scope or objectives to conform to the overall plan.

The bulk of the program could be completed in 3-5 years. The changes in the laws, the training of personnel, and the introduction of improved systems and methods could be accomplished over the initial planning period.

The administrative system to be effective must remain dynamic.

The projects and activities for improvement would, therefore, not be intended to make public administration efficient for all time; the objective should be to set up adequate legal and administrative bases for effective operations. In addition to technically perfecting the system, the program should be aimed at making possible a continuous self-analysis and self-evaluation which can result in increasing gains in future government performance.

Finally, the projects should provide for the immediate training that is necessary for carrying out the action recommended.

The five major areas of governmental action which would comprise the core of the plan are as follows:

1. Analyze the structure of the tax system and its effect on economic activity

One of the purposes of the analysis would be to determine the effect of individual taxes on the national economy; the project should include a codification of tax legislation which can serve as a basis for the revision of the entire tax system. Some might be redrafted, some modified. Others such as the tax on fertilizer, recently removed, might be repealed because of their adverse effects on the economy. Further, codification would permit the identification of taxes that would stimulate the economy and fit well into a more rational national plan.

The study would also identify those taxes that are unproductive or are difficult or inefficient to administer.

OAS has already started this in a modest way. More comprehensive fiscal study is still needed.

2. Improve the system for the collection and reporting of taxes

Many taxes, especially those on real property, are not collected. This is not because Paraguayan taxpayers are unusually evasive, but because the systems for property identification, assessment, notice to taxpayers, maintenance of records, the penalties and the application of penalties are not complete or sufficiently effective. In order to pay his real property tax, the most distant property owner must still come to Asuncion. The system for auditing and enforcement of taxes on income, excises, licences, fees, etc. also requires a complete overhaul. Estimates vary for the taxes that go uncollected because of poor administration, but they are thought to run from 15-50% of the different imposts.

Paraguay does not need additional taxes so much as it needs to collect the taxes that are owed. In many cases taxes are not levied in accordance with current land values and the ability of the land to produce income. The administration of the tax laws must also be improved so that taxes are collected promptly and from all who owe. There is little stimulus for those citizens who pay their taxes each year if others can evade their

responsibility without fear of economic and social reprisals.

3. Improve the planning and budgetary processes

At present, little or no relationship exists between budget and program planning. It is the custom in some ministries and agencies to make estimates for the new fiscal year on the basis of the past year's program planning, not on the basis of past year's program accomplishments. This results from the fact that program evaluation at the ministerial level is nearly impossible because management services provide so few standards or standardized units for measurement. The program planning that is done can, therefore, not be accurately related to monetary considerations.

Meanwhile, the national budget office is unable to act rationally, since, as the result of the lack of program evaluation, ministerial estimates are not justified by data. In these circumstances, the national budget must be prepared by accountants, while national planners interested in the country's economic development can play no meaningful role. Education as to the relationship between budgeting and planning, and training in the techniques necessary to the proper use of both must be initiated. Without such improvements, one of the spokes in the administrative wheel will be missing, broad and permanent improvements in substantive programs cannot be expected, and any additional taxes collected will not be used efficiently.

Among the many activities that are needed to improve budgeting should be included an intensive training program for the 300-400 middle-to-higher-level management employees in the D1-6 category who are responsible for the day to day direction of governmental programs. The program planning process should be done by those employees who are responsible for program execution rather than by those who do not have that responsibility.

4. Improve governmental accounting, fiscal controls and financial reporting

If planning for economic development is to be improved, the governmental accounting system must provide the financial information necessary for the preparation of budgetary estimates. At the same time an effective accounting system is an administrative tool for the execution of the budget plan. A reporting system that accurately reflects the current financial status of the government is essential to budget preparation, budget execution, and disbursement procedures. Paraguay needs these tools. At times the government does not know the amount of funds it has available; some taxes collected (usually in the more rural areas) are not even deposited in a bank except at the end of the month and the collectors are obligated at best to report their collections only monthly, in some instances only quarterly. Such is the lack of administrative

fiscal control that some Ministries occasionally do not receive their monthly allotments promptly, sometimes in substantially lower amounts, and at other times there are long delays.

Better tax collection procedures are useless unless accompanied by tighter controls than are now in practice. Even then, the mere availability of increased funds serves no purpose unless the additional funds available are efficiently distributed --and on time.

Fiscal control and the financial reporting also need good statistical services. Effective fiscal action in the different areas of the governmental processes depends on accurate data and figures, most of which are of a specialized nature. Government programs for economic development are reflected in most cases through statistical charts to be available both to the government administrators and the interested citizen.

5. Improve personnel administration in the Public Service

All the foregoing activities depend for their success on a more competent and more productive group of public employees. Unless more adequate government-wide personnel policies are adopted, improvements in the skills of employees required for immediate project needs will soon wither away.

The professional level of the Paraguayan civil service needs to be elevated through increased training opportunities for the higher ranked employees, through the establishment of more stringent entrance requirements, and the use of periodic employee performance evaluations in deciding questions of retention, promotion and separation. Paramount in the improvement process is the need for overall salary increases and the application of the principle of equal pay for equal work. Such policies could be best initiated through a merit system law for Civil Service, which at the same time should provide for the necessary administrative machinery.

When the organization is a large one, such as that of the Government of Paraguay, the processes for employment, utilization, promotion, training and separation of employees in the public service can be better directed when they are formalized and standardized.

Like administration generally, the personnel aspect is composed of a number of interrelated parts, all of which need coordination and specialization for success. No single supervisor can adequately run the complexities of an entire personnel package. Neither can an isolated Ministry. What is urgently needed is the creation of a centralized personnel system with authority to administer on a national level those personnel matters which are common to all the ministries and agencies.

Activating the Proposed Program

The importance that is attached to a reform movement of the magnitude described can hardly be overestimated. The multiplicity of problems such as preparing and adopting new legislation, training of people, and the coordination of the diverse physical and technical resources will require capable and dedicated Paraguayans.

Should GOP be interested in making a massive assault on the problem of administrative reform, the question immediately presents itself: How could the cost of the orientation and planning that would in turn justify the loan be funded?

Paraguayan officials must be intimately involved in developing the overall program as well as its details, so that it will bear the indigenous stamp -- a condition that will make it acceptable and its results permanent. At the same time, the Paraguayans will need technical backstopping and guidance in modern techniques. The preliminary plan to establish the scope and enumerate the required resources will take several months of intensive work and will be costly. In order to insure that sufficient attention is paid to this important phase, not only to obtain favorable action on the loan application, but to submerge the GOP in an intensive orientation and planning experience, the United States should consider using an FY'66 Development Grant for this activity.

Program Cost Estimate

The planning that would take place as a basis for the loan application would develop a detailed budget for the component projects of the overall program. Meanwhile, in order that the funding requirements can be studied, in at least general terms, an approximate cost estimate is submitted. Although activities need not begin simultaneously in any of the major fields, the dependence of one area on improvements in related operations will require action relatively soon thereafter. Projects in all five of the major areas should begin within 18 months after the initiation of the overall program.

It is estimated that \$1,000,000 would be required to carry out a coordinated, comprehensive reform program along the lines indicated. The projects for making changes in the legal base of administration, for the instituting of the necessary procedural changes and for the training and equipping of personnel would take up to five years.

The purpose of this paper is to suggest to interested officials of GOP that they consider the desirability of planning a comprehensive administrative reform program in collaboration with USAID and representatives of other international agencies with a view towards seeking a long term, low interest loan for funding of such program.

Robert J. Young
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Note: Information on AID loan projects for administrative reform in Ecuador and other Alliance countries can be made available on request.

July 30, 1964

COMPREHENSIVE ADMINISTRATIVE REFORM

(5 year program)

<u>Major Areas</u>	<u>Estimated Time</u> (months)	<u>Estimated Cost*</u>
Overall planning and direction	60	180,000
1. Analysis of rate structure Codification of fiscal legislation	6	45,000
2. Tax Administration	36	155,000
3. Planning and budgeting	24	110,000
4. Fiscal and expenditure accounting	30	150,000
5. Personnel administration	48	<u>350,000</u>
		\$990,000
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* This estimate is constructed on the basis that the GOP provides no special appropriation to carry on activities related purely to the individual projects for administrative and fiscal improvement.