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ADMINISTRATIVE REORGANIZATION OF
THE NATIONAL GOVERNMENT OF BOLIVIA

BY

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AND

Russell P. Andrews

Submitted to the President
of the Republic of Bolivia

July 26, 1942

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Governmental efficiency in a democracy rests upon a dual foundation: the consent of the governed and effective management. Under a democratic Constitution, such as that of Bolivia, the consent of the governed may be achieved fairly readily, given a reasonable and constructive spirit in the Presidency. Effective management by the Executive Power is difficult to achieve anywhere, but in a democracy it is vital, since democracy fails where effective administrative management is lacking.

Administrative efficiency is not merely a matter of paper clips, time clocks, and standardized economies of motion. These are only the minor appurtenances of efficiency. Real administrative efficiency is much more subtle and complicated. It is compounded of the sincerity, integrity, will, knowledge, and skill of the persons who participate in the administrative process and must have its basis in the human materials that are its constituents. Efficiency must be built into the human materials, the structure and the methods of Government, just as it is built into the design and operation of a rifle, a tank or an aeroplane.

Fortunately, the foundations of effective management in public affairs, no less than in private, are well known. They have emerged universally wherever men have worked together for some common purpose, whether through the State, the Church, the private association or the commercial enterprise. They have been written into Constitutions, charters, and articles of incorporation, and exist as habits of work in the daily life of all organized peoples. Stated in simple terms these canons of efficiency require:

1. The establishment of a responsible and effective Chief Executive as the center of energy, direction, and over-all administrative management;
2. The systematic organization of all activities in the hands of a qualified personnel under the direction of the Chief Executive;
3. The establishment of appropriate managerial agencies for planning, personnel administration, and financial management to assist the Chief Executive in his over-all management responsibilities;
4. The establishment of proper methods and techniques through which the Chief Executive may discharge his responsibility for reporting fully the administrative actions undertaken upon his authority to the Congress and to the people.

Taken together, these principles, drawn from the experience of mankind in carrying on large-scale enterprises, may be considered as the first requirement of good management. They comprehend the subject matter of administrative efficiency as it is dealt with in this report. Effective management concerns itself in a democracy with the Executive Power and its functions; with the

managerial agencies of Government; with organization; with personnel; and with the financial system, because these are the indispensable means of making good the popular will and consent in a Government of the people, by the people and for the people.

In the light of these canons of efficiency, what must be said of the National Government of Bolivia today? Speaking in the broadest terms at this point, and in detail later on, we find in the Bolivian Government at the present time that the effectiveness of the Executive Power, extremely broad in principle, is limited and restricted in practice; that the managerial agencies of the Government are weak and out of date, and in some respects deficient altogether; that the work of the Executive Power is badly organized; that the public personnel is definitely sub-standard, and does not include its share of men of outstanding ability and character; that the fiscal and auditing systems are inadequate. These weaknesses are found at the very center of the Government; their elimination involves fundamental changes in the Office of the President itself.

On the basis of our examination of the organization, personnel and procedures of the Executive Power, we conclude that the following steps should be taken:

1. To deal with the greatly increased duties of over-all management falling upon the President the Office of the President should be integrally organized and greatly expanded;
2. The managerial agencies of the Government should be much further developed; the budgetary function should be strengthened, and management facilities for continuing efficiency research, personnel management, and the planning of the exploitation and conservation of National resources should be established. It should be realized that these agencies are in fact management arms of the President of the Republic, and they should be located in the Office of the President;
3. The merit principle should be embraced, and all public employees should be recruited on a competitive basis, should have security of tenure, and should receive adequate and equitable salaries determined on the basis of their actual duties and responsibilities. Only a specified list of high offices that are policy-determining in fact should be excluded from the career service;
4. The entire Executive Branch of the Government should be overhauled, the number of Ministries reduced, and internal Ministerial organization greatly simplified.
5. The fiscal system should be extensively revised, particularly with reference to accounting, maintenance of records, and Congressional review of fiscal affairs.

In proceeding to the reorganization of the National Government it is important to keep prominently in mind the ultimate goals of reorganization. Too much preoccupation with the machinery of management must not cut off from sight the true purpose of administrative efficiency.

Economy is not the only objective, although reorganization is the first step toward savings.

The reduction in the number of Government personnel is not the sole objective, although reorganization is an indispensable antecedent to the installation of more efficient methods which will eventuate in the reduction of personnel.

The elimination of duplication, and of contradictory policies is not the only goal, although this should be a fairly immediate result of reorganization.

A simple and symmetrical organization is not the only objective, although the new organization will be simple and symmetrical.

Better financial policies and methods are not the only aim, although the attainment of these will be greatly implemented by reorganization.

There is but one grand purpose of reorganization. That purpose is to make democracy work today in the National Government of Bolivia - to make the Government a modern, up-to-date, efficient instrumentality for giving effect to the National will - to bring the administrative potentialities of the National Government to a state of adequacy corresponding as closely as possible with the aspirations expressed in the National Constitution. It is for this purpose that the Government needs thoroughly modern tools of management.

Chapter I

PERSONNEL MANAGEMENT IN THE NATIONAL GOVERNMENT OF BOLIVIA

A. Introduction

Out of a total budget for 1942 of *Bs. 957,099,780.00 the National Government proposes to spend Bs. 505,913,003.00 for personal services in positions which are so classified in the budget document. If to this is added the personal services expenditure made from global, or unsegregated, appropriations, it is probable that personal service expenditures will approach Bs. 600,000,000.00. The National Government, therefore, spends at the minimum 53 per cent of its total budget for salaries and wages. It proposes to spend in 1942 Bs. 288,459,435.00 for salaries in the civil administrative services alone, excluding the legislative, judicial and military arms of the Government. This is 30 per cent of the total annual budget. From the standpoint of its relative importance in the budgetary arrangements of the National Government, personnel management is therefore a matter of vital concern in Bolivia.

Viewed from another angle, the number of employees so classified in the budget has grown from 15,447 in 1937 to 23,114 in 1942, and the statistical decline from a maximum figure of 24,041 in 1940 is due wholly to the fact that many military employees individually classified in previous budgets were, for reasons of national policy, dropped from this category in 1941 and are now compensated from global appropriations; military employees so classified in the budget, for example, dropped from 6,621 in 1940 to 3,449 in 1941 and still further to 2,256 in 1942, although budgeted expenditures for personal services in the military arm increased from Bs. 86,036,472.00 in 1940 to Bs. 102,690,906.00 in 1941 and to Bs. 183,827,398.00 in 1942.

Employees in the civil administrative services - again eliminating the legislative, judicial and military arms of the Government - have grown from 10,747 in 1937 to 18,786 in 1942. This increase of 8,039 in five years represents a growth of slightly more than 75 per cent, or an average of 15 per cent per annum. The total increase is accounted for primarily in the Ministries of Government, Education, and Health and Welfare. The National Police in the Ministry of Government have increased from 3,458 in 1937 to 5,630 in 1942; this is 2,172 of the total increase of 8,039. The teaching personnel in the school districts of the Ministry of Education has grown from 2,592 in 1937 to 6,277 in 1942; this is an increase of 3,685. The service of Health and Welfare has increased from 706 in 1937 to 1,484 in 1942, a growth of 778; most of this increase has been in the administrative rather than technical, personnel in the districts. The service of Communications has increased from 1,370 in 1937 to 1,811 in 1942, a growth of 441. The service of Labor employed 63 persons in 1937 and 202 in 1942, a growth of 134. The Ministry of Foreign Relations increased from 39 in 1937 to 142 in 1942; this is an increase of 103, but is primarily attributable to the budgeting of the diplomatic and consular personnel in detail since 1939. Other small increases are attributable to the National Delegations in the Ministry of Government which were created in 1941 and now have 175 employees, to the increase in administrative personnel in the school districts from 229 in 1937 to 652 in 1942, and to other increases in the Ministry of Education totaling 92 over the five year period.

In view of the devaluation of the Boliviano, it is not a matter of any special significance that budgeted expenditures for personal services have increased from Bs. 70,743,559.00 in 1937 to Bs. 505,913,003.00 in 1942. What is important, however, is that the increase of over 700 per cent in personal

* Note: The official exchange rate prevailing at the time of this report was 46 Bolivianos for one U.S. dollar.

service expenditures has produced an actual lowering of the real increase of government employees, and that whereas national receipts have increased from Bs. 606,324,535.72 in 1940 to an estimated Bs. 347,099,780.00, or a little less than 40 per cent, personal services have gone up from Bs. 266,315,483.00 to Bs. 505,913,003.00, or almost 91 per cent, in the same period.

There is nothing either good or bad about a small or large number of public employees, or about small or large expenditures for personal services, provided the government is getting its money's worth in efficient performance. A government with a small public service is not necessarily more efficient than a similarly circumstanced government with a large public service - it may be merely less adequately developed in its programs of social amelioration, or in its military establishment. In other words, the question is not how many, but how efficient, and how adequate, to the service program of the Government.

SALARY LEVELS IN THE BOLIVIAN NATIONAL GOVERNMENT 1937-1942

Salary Bracket (Monthly, in Bs.)	1937	1938	1939	1940	1941	1942
Under 250	9061	7931	9097	3723	1568	22
251 - 500	4519	7106	6210	9759	9403	1657
501 - 750	1270	1851	3846	2377	3711	8255
751 - 1000	460	986	1253	3363	3793	3251
1001 - 1500	124	471	1608	1929	2260	6023
1501 - 2000	11	42	329	1290	1461	1823
2001 - 3000	1	22	132	691	647	1675
3001 - 4000	1	3	11	209	306	645
4001 - 5000	-	5	6	39	123	314
5001 - 6000	-	-	1	34	45	77
6001 - 7000	-	-	-	25	30	203
7001 - 8000	-	-	-	13	17	47
8001 - 9000	-	-	-	9	5	22
9001 - 10000	-	-	-	22	16	42
10001 - 15000	-	-	-	42	21	26
15001 - 20000	-	-	-	15	8	13
20001 - 25000	-	-	-	1	6	8
Over 25000	-	-	-	-	3	11
Total	15,447	18,467	22,439	24,041	23,423	23,114

Note: This table undoubtedly omits diplomatic and consular employees for 1937-39 inclusive.

GROWTH IN NUMBER OF BUDGETED EMPLOYEES OF THE BOLIVIAN NATIONAL GOVERNMENT
1937 - 1942

Branch	NUMBER					
	1937	1938	1939	1940	1941	1942
LEGISLATIVE	11	11	22	23	81	56
JUDICIAL (c)	765	789	823	868	1685	1016
CIVIL ADMINISTRATIVE						
Government (d)	3513	4106	3707	3500	4657	5867
Foreign Relations (h)	39	49	73	149	136	142
Religion	30	31	34	51	68	63
Finance	1151	831	1214	1429	1535	1152
Economy (Industry)	127	72	90	40	380	165
Public Works	68	60	69	79	163	164
Communications	1370	1474	1534	1684	1774	1811
Education	3003	3635	4990	6455	6678	7203
Agriculture (f)	272	358	489	476	307	257
Labor (e)	68	1892	310	343	244	202
Health	706		1834	1919	1999	1484
Mining	92	106	104	100	(a)	(a)
Comptroller	308	308	295	304	267	276
TOTAL CIVIL ADMINISTRATIVE	10747	12922	14739	16447	18208	18786
MILITARY	3924	4745	6909	6621	3449	3256
GRAND TOTAL	15447	18467	22493	24041	23423	23114

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- (a) Transferred to Economy in 1941.
 (b) Many non-commissioned officers and other military employees were eliminated as budgeted employees in 1941 and thereafter, but compare with personal service budget allocations in attached table.
 (c) Civil registrars tabulated as employees beginning in 1941; compensated before from unallocated appropriations.
 (d) Many local police transferred from departmental to national budget in 1941, in addition to a substantial increase in the net number of police.
 (e) Housing juries were transferred from Labor to Justice in 1940; Labor and Health personnel were reported jointly in 1938 only.
 (f) The Ministry of Agriculture was abolished in 1941, its agricultural functions transferred to the Ministry of National Economy and its colonizations functions to the Ministry of National Defense. A Ministry of Agriculture, performing agricultural functions only, has very recently been reestablished..
 (g) Increase in 1941 mainly attributable to the transfer of personnel from departmental to national budget; 1942 figures do not include personnel of the recently established Division of Highways.
 (h) Figures for 1937-39 inclusive undoubtedly omit part or all of the diplomatic and consular services, numbering around 70.

ANALYSIS OF GROWTH IN NUMBER OF BUDGETED EMPLOYEES IN
CERTAIN MINISTRIES OF THE BOLIVIAN NATIONAL GOVERNMENT
1937 - 1942

SERVICE	1937	1938	1939	1940	1941	1942
GOVERNMENT						
Presidency	41	31	34	31	43	40
Ministry	14	44	37	39	23	22
National Delegations	-	-	-	-	158	175
Police	3.458	4.031	3.632	3.430	4.411	5.630
Other (a)	-	-	-	-	22	-
Total	3.513	4.106	3.703	3.500	4.657	5.867
EDUCATION						
Ministry	26	23	27	31	34	33
Council of Education (b)	46	42	56	56	58	58
National Services						
Teaching Personnel	86	99	24	18	1	1
Other	24	30	17	17	34	22
General Services						
Teaching Personnel	-	5	35	106	90	123
Other	-	-	6	20	24	37
School Districts						
Teaching Personnel	2.592	3.124	4.387	5.554	5.834	6.277
Other	229	312	438	653	603	652
Total	3.003	3.635	4.990	6.455	6.678	7.203
HEALTH & WELFARE						
Ministry & Administrative Dept.						
Technical Dept.	25	118	38	36	148	97
Districts	29	78	40	19	100	102
Districts						
Technical Personnel	542	746	769	888	744	614
Adminis. Personnel	110	728	987	976	1.007	671
Total	706	1.670(d)	1.834	1.919	1.999	1.484(a)

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- (a) Pertains to the Immigration Service
- (b) Functioned as the Bureau of Education in 1937
- (c) Functioned in 1937 and 1938 as the National Department of Hygiene and Public Health and the Bureau of Sanitation, respectively, under the Ministry of Labor and Social Welfare
- (d) In 1938 Labor and Social Welfare accounted for 222 employees and Hygiene and Public Health for 1670. The increase resulted from the incorporation in the National Budget of the Municipal Hospital and the National Health Service.
- (e) The decrease resulted from the change in budgeting for the hospitals in La Paz, Chuquisaca, and Cochabamba from a detailed to a lump sum basis.

GROWTH OF THE BUDGET FOR PERSONAL SERVICES IN THE BOLIVIAN NATIONAL GOVERNMENT 1937-42

	1937	1938	1939	1940	1941	1942
LEGISLATIVE	58,440	1,073,840	292,920	3,655,423	1,439,480	12,178,870
JUDICIAL (c)	2,703,660	3,927,900	5,149,440	11,802,200	13,130,120	21,447,300
CIVIL ADMINISTRATION						
Government (d)	7,296,780	10,597,500	11,670,720	16,453,097	31,313,360	59,876,840
Foreign Relations	2,271,160	4,156,620	4,284,960	10,010,826	3,064,200	17,119,060
Religion	102,240	129,540	170,520	382,200	687,000	964,800
Finance	4,508,340	6,159,020	9,337,630	17,491,036	13,323,436	25,865,240
Economy (Industry)	625,680	520,680	965,158	956,760	6,357,080	5,591,400
Public Works (g)	448,620	637,560	1,050,000	3,427,200	5,114,600	6,159,600
Communications	4,051,630	5,992,900	8,709,000	13,699,320	16,738,430	23,682,200
Education	10,423,403	17,469,514	29,597,923	67,770,743	89,939,635	109,347,771
Agriculture (f)	1,144,620	1,992,060	2,825,280	5,514,210	2,061,600	5,777,500
Labor (e)	402,060	880,340	1,501,788	2,814,840	2,213,320	4,126,960
Health	2,677,740	6,017,340	3,275,030	11,806,838	13,247,640	13,379,880
Mining	534,430	957,620	1,736,940	2,967,360	(a)	(a)
Comptroller	1,981,740	2,512,920	3,110,644	5,242,280	4,952,400	6,843,600
State Obligations					1,000,000	4,724,534
Civil Pensions, Jubilations, etc. (h)	810,000	2,000,000	2,364,374	6,284,568	20,455,534	
TOTAL CIVIL ADMINISTRATION	37,273,543	60,057,614	86,101,567	164,821,388	220,963,335	288,459,435
MILITARY (b)	30,697,911	34,273,680	50,495,262	86,038,472	102,690,906	133,827,358
GRAND TOTAL	70,743,559	99,330,034	142,039,139	266,315,483	333,223,841	505,913,003

(a) Function transferred to Economy in 1941. (b) Compare budget with personnel figures in attached table. (c) Salaries of civil registrars, hitherto compensated from unallocated appropriation, included in 1940 and thereafter. (d) Increase in number of police and transfer of police charged to departmental budgets before 1941. (e) Transfer of housing juries from Labor to Justice in 1941. (f) Agriculture temporarily abolished in 1941, with agriculture functions going to National Economy and colonization functions to National Defense. Ministry with agriculture functions only reestablished in May 1942. (g) Transfer of personnel hitherto charged to departmental budgets in 1940. (h) In 1941 Bs. 20,000,000 was for employees bonuses for civil employees other than teachers; Bs. 16,000,000 of the Education budget was for teacher's bonuses.

Personnel problems are intangible, and statistical methods are of very limited applicability in analyzing them. It is almost impossible to make quantitative evaluations of loyalty, trustworthiness, pride in the service, and a sense of responsibility, and in many positions the precise assessment of accuracy and efficiency is a difficult task. We have talked to, and observed the work of, several hundreds of public employees of all sorts and varieties, occupying positions at all levels in the administrative services of the Government, and the following estimate represents the impartial and unbiased evaluations of the President's advisors on administrative organization and efficiency.

The Personnel of the Government, with a very few shining exceptions, is amateur, untrained, and of less than acceptable standards of competency. The reasons are not difficult to determine. The outstanding characteristic of the National Government personnel is the rapidity of its turnover and the insecurity of its tenure. Even Ministers do not remain long enough in office to attain more than a bowing acquaintance with their jobs. For example, in the last ten years there have been sixteen original appointments to the position of Minister of Foreign Relations, twenty-three to the position of Minister of Government, twenty to the position of Minister of Finance, twenty-six to the position of Minister of Public Works, and sixteen to the position of Minister of Agriculture. The situation with respect to the other Ministries is not appreciably different. All in all, the official life expectancy of a Minister seems to be approximately six months.

Within the Ministries conditions appear to improve but slightly. In the Ministry of Finance, for example, nine men have served as Director General of Internal Revenues since January 1, 1934, when the contract with the National Collection Company was terminated. During the same period there have been five Directors General of Customs. During the past ten years there have been eight presidents of the Permanent Finance Commission, in addition to the "various presidents whose functions were transitory." and who were not specifically named in response to our inquiries. Since its reorganization in April, 1936, there have been six original appointments to the position of Director General of Statistics. The Bureau of the Budget represents a relatively stabilized organization unit; there have been only three Directors General since its organization in 1931. In the Ministry of Government and Immigration there have been five appointments to the position of Secretary General since January 1, 1939, and five chiefs of the Government Section since July 1937. A Director General, in fact seems to last about seventeen months.

Proceeding to still more subordinate positions, the various sections or divisions within the major ministerial bureau, it is interesting to note that there have been five Inspectors General of Customs since January 1, 1934, five chiefs of the Secretariat of the Customs since 1931, and eleven original appointments to the position of Chief of Permits in the same organization since 1920. Three men have served as chief of the Audits Section of Importation in the Bureau of Customs since 1932, and two men have served as chief of the Audits Section of Exportation since its organization in 1937. The Real Property Tax Section of the Bureau of Internal Revenue has had two chiefs since its organization in 1939, and the Section of Public Entertainments has had two since its organization in 1941. The Alcohol and liquor Section has had four chiefs since 1932. The Accounting Section has had only one chief since its establishment in 1934. These statistics are fully typical of conditions prevailing throughout the Government, and it is quite safe to say that a Section Chief can look forward to only about twenty-six months of service in that capacity.

The situation with regard to employees not exercising executive or supervisory functions is equally insecure, although it has not been practicable to make a comprehensive survey of the statistics of turnover in this group. Several estimates have been secured from competent sources, which vary from thirty to thirty-six months of service for stenographers and clerks up to four years for technically trained employees whose positions are not sufficiently well-paid to excite the avarice of a political favorite.

This is the spoils system with a vengeance. At the worst period of the spoils system in the United States employees were changed, on the whole, only when the control of the Government changed from one political party to the other, which could not occur more often than every four years, and ordinarily took place only every eight or twelve years. Bad as the spoils system was, it at least allowed time for new employees, however incompetent they might be at the beginning, time enough to learn something about their jobs and to become as proficient as their native ability would permit and their lack of political protection would impel.

In Bolivia, on the other hand, it seems to be adequately within the prerogative of a Minister completely to clean house when he comes into office for his six-month tour of duty, and to make wholesale changes in personnel, completely without regard to the necessity for administrative continuity. It is little wonder that one hears on every hand of the demoralization existing in the Government service, or that the Government offices reflect in their internal operations and their relations with the public the demoralization of their personnel. Employees are fully aware that in the main they are in their jobs for no reasons relating to their qualifications for performing the functions of the office, but solely because of political influence. They are equally well aware that their tenure may be abruptly terminated when a new or more powerful political or personal influence is brought to bear upon the appointing authority. The efficiency of the public service is literally the least important thing on the minds of the great majority of public employees.

In the second place, the lack of attention to the principle of equal pay for equal work has been an important contributing factor to demoralization among the public personnel. Employees working side by side, doing precisely the same work with approximately the same proficiency, are often paid widely varying salaries. There is clear evidence that political and personal favoritism in many offices is resulting in the payment of compensation wholly unrelated to the value of particular employees to the performance of the Government's work. Equally important is the wide variation in performance requirements observable throughout the Government. Employees with influential political sponsorship observe such hours, if any, as their own convenience dictates. The orderly transaction of Government Business, and the rendering of even a reasonable standard of service to the public, is frequently disrupted because of the absence or indifference of an "untouchable" whose influence in political quarters is too strong for a mere chief of section or director general to challenge; even Ministers have, at times, found it convenient under such circumstances to look the other way.

Third, the public service has, in addition to being subjected to the demands of political patronage, been used in recent years virtually as a relief agency or charitable organization. There is a substantial volume of opinion to the effect that the addition of many hundreds of workers to the payrolls solely in order to get money into their hands, without regard either to the necessity for their services or their qualifications for rendering any sort of useful service to the Government, has seriously lowered the morale and prestige of public employment even below pre-existing standards.

In 1937 the National Government paid 10,747 employees of the civil administrative services a total of Bs. 37,287, 548.00, including pensions and gratuities, which was an average annual salary of Bs. 3,471.00 or a monthly salary of approximately Bs. 290.00. In 1942 the Government will pay 18,786 civil administrative employees a total of Bs. 288,459,435.00, which is an average annual salary of Bs. 15,355.00 or a monthly salary of approximately Bs. 1,280.00. This is an increase of approximately 443 per cent. During the same period the cost of living in La Paz, according to the Director General of Statistics, has risen from an index of 320 at the beginning of 1937 to 1153 in December 1941.

Then it is considered that during the same period the cost of prime necessities rose at an even greater rate, the net increase in the purchasing power of public employees, most of whose salaries are expended for food, shelter and clothing, is even more marked. Food, for example, rose from an index of 201 at the beginning of 1937 to 1105 in May 1942. During the same period shelter increased from 253 to 1600 and clothing from 236 to 1587.

Viewed from another angle, it is interesting to note that 60 per cent of the employees of the National Government in 1937 received under Bs. 250.00 per month, 90 per cent received less than Bs. 500.00 per month and 98 per cent received less than Bs. 750.00 per month. In 1942 it appears that less than .001 per cent receive under Bs. 250.00 per month, less than 7.5 per cent receive under Bs. 500.00 per month, about 42 per cent receive under 750.00 per month, 57 per cent receive under Bs. 1,000.00 per month, and 83 per cent receive under Bs. 1,500.00 per month.

In the face of rising demands for public services of greatly increased range and complexity, with rising costs of prime necessities which will inevitably eventuate in substantial upward revisions of existing salary scales, and with the certainty of an at least temporary decline in national revenues at the end of the war, Bolivia is confronted with a number of acute problems of national policy, of which that pertaining to the public personnel is one of the most difficult.

Substantial retrenchment in the number of public employees is obviously an imperative necessity. In the judgment of the President's advisors on administrative organization, such retrenchment is possible. In certain of the offices which were examined with much thoroughness, it was apparent that even without the introduction of new methods and techniques a sizeable number of employees might feasibly be eliminated. It should be possible, for example, to handle the financial operations of the Bolivian Government with fewer than the 1,428 employees now engaged in such work. If it is possible to adopt our recommendations with respect to the reorganization of the accounting and procurement systems and to consolidate the field services of the various agencies remaining in the Ministry of Finance, there is no reason to think that a total staff of 350 would not be adequate for the accounting, procurement, revenue and custodial operations of the Ministry. A competent staff of 60 should, in addition, be able to perform the post-audit function in a thoroughly satisfactory manner. We are likewise of the opinion that under non-political administration the communication services of the Government could be administered by substantially fewer employees.

From the studies we have made primarily in La Paz, it probable would be possible to recommend the immediate dismissal of several hundred employees with whose services the Government might dispense without impairing to the slightest degree its program of service to the people of Bolivia. It is also true that even if such dismissals were made the personnel rosters of the Government would be back to their present levels within six months. The task of holding government personnel to its proper and necessary level is a difficult, complicated, and continuing one. It cannot be performed once and for all. It cannot be accomplished by a program of unselective wholesale dismissals. It must be undertaken on the basis of a detailed analysis of the personnel operations of the entire Government, the analysis of the Government's job in terms of competent personnel and efficient methods of work, and the institution of procedures for getting competent persons into the Government service and keeping them there.

This report, therefore, will not concern itself with the problem of alleviating temporarily certain aspects of the personnel problem in Bolivia by suggesting the elimination or consolidation of specific unnecessary positions. Many could be named; many have undoubtedly escaped our attention. Many thoroughly competent people are now, due to incompetent planning on the parts of their supervisors, performing useless tasks; these people should certainly not be dismissed simply because of the incompetence of their superiors. What Bolivia needs most is not a list of people to be immediately purged from the public service, but methods and procedures which will reduce the number of employees to the number necessary to carry on the work of the Government, and will keep the number of employees closely related to that job, in terms of specific skills, qualifications and competences.

Let it not be supposed that the elimination of positions through the elimination of useless activities, and the introduction of modern and efficient procedures to make activities that are necessary more effective, will all be not financial gain. One of the great weakness of present personnel policies is the employment of large numbers of people with small qualifications at small compensation. Governments, like private undertakings, receive what they pay for, and to secure competent personnel the Government must pay competitive salaries.

B. Classification and Salary Standardization

The first and basic step toward attaining economy and efficiency in personnel management in the National Government is, in our opinion, a position classification and salary standardization plan for the entirety of the National personnel, excepting only the military, diplomatic and consular, legislative, judicial, and a few high policy-forming positions in the civil administrative services.

The establishment of a position classification plan involves a large task of intensive study and analysis of the duties and responsibilities of each existing position in the National Government, a consideration of the necessity for the performance of the work in each position, an analysis of the possibilities of eliminating the position or of consolidating it with another position through the introduction of more efficient methods to increase the output of the individual employee, the development of a schematic system of grades and classes of positions based upon the actual work to be done and authority and responsibility to be exercised, and finally the allocation of necessary positions by number and classes to the various basic units of organization within the Ministries

It is not within the scope of this brief report on general management in the Bolivian National Government to provide a complete description of the process of job analysis and classification which is essential to bringing the number of employees of the Government into direct relationship to the work to be accomplished. Indeed, a number of very exhaustive books have been written about the principles and techniques of position classification and administrative analysis which are involved in this task. It is, however, possible briefly to illustrate how the classification procedure operates.

The first step is that of procuring comprehensive information about the duties and responsibilities of each employee of a given organization unit as it now operates. This is usually approached through a detailed questionnaire, originally executed by the individual employee, which is reviewed and commented upon by the immediate supervisor of the employee, by the Section Chief, by the Director General, and by the Chief Officer of the Ministry. Concurrently, a member of the independent classification survey unit makes a thorough study through direct observation of the work actually performed by the employee, and an analysis of its relationship to the procedures which the organization unit in which the worker is employed is charged with carrying out.

A second step is the development of detailed personnel organization charts for each basic unit of organization, showing the work done by each employee and the relationship of that work to the work of every other employee in the organization unit, as indicated in the questionnaire replies and the criticisms and corrections made by the classification survey staff.

A third step is modification of existing work loads within the organization unit on the basis of procedures to be eliminated as unnecessary, procedures to be facilitated through the introduction of modern methods and practices which permit the output of individual employees to be increased, and procedures which are to be decreased in volume by reason of new correlations and checks to be established. For example, it will undoubtedly be possible, if the movement now on foot to simplify the customs laws of Bolivia results successfully, to eliminate a large amount of accounting procedure in the local customs offices and in the Bureau of Customs, because under a simplified law it will become wholly unnecessary. Moreover, the introduction of suitable bookkeeping and mechanical accounting machinery will enable the Bureau of Customs to get as much production out of one employee as it now gets out of perhaps eight keeping old-fashioned ledgers by manual process. Finally, if a system of predetermined totals for verification is introduced, in accordance with our suggestions in the report on accounting control, this new system of correlation will undoubtedly eliminate a large amount of the painful and tedious checking of individual prior revisions in which a substantial number of employees are now engaged, since if the predetermined totals and the original revisions agree the presumption of correctness is so strong that no further verification is necessary.

Hence, the classification survey staff might be in a position to suggest, for example, that of the eighteen clerical employees in the Review and Control Section of the Bureau of Customs, six could be eliminated as a result of dispensing with unnecessary procedures now required by the complicated customs laws, six could be eliminated through the introduction of mechanized accounting and bookkeeping procedures, and two could be eliminated as a result of the introduction of the system of pre-determined totals and the consequent decrease in the amount of checking of prior revisions now required. This, moreover, would eliminate the necessity for the two chiefs of imports and exports and the two sub-chiefs of imports and exports, whose major tasks at the present are to supervise, revise, and control the eighteen reviewers and assistants. In the final analysis it would perhaps be possible to perform all the work of the section with one senior and three junior accounting machine operators, at annual salaries, let us say, of Bs. 48,000.00 and Bs. 36,000.00 respectively, or at a total personal service cost per annum of Bs. 156,000.00, as compared with the Bs. 554,400.00 provided for the section in the current budget (1942). This is a wholly hypothetical example, and should not be construed to mean that such a reduction in the agency named is definitely possible, but similar classification and efficiency surveys have produced elsewhere results quite as dramatic.

The position classification program, however, has other and equally important functions to serve in the management and control of the Government. The development of the science of management, as of all other sciences, rests upon a basic process of classification of phenomena. People working at jobs are among the principal phenomena with which the science of management is concerned, and the position classification plan is hence a highly important tool of administration. There are 13,786 employees in the civil administrative services of the Bolivian national government. These 13,786 persons obviously cannot be dealt with, or even thought of, in individual terms. The essence of position classification is to group together those positions which have similar work characteristics or traits; by this process important similarities and contrasts between positions are brought into bold relief, and the basis for proper decisions in all personnel processes relating to positions in the Government service is established.

In brief and simple terms, the classification process operates somewhat as follows. After full information has been obtained about every position in the Government service through the procedures which have been described in the preceding pages of this report, positions are first grouped by major occupations, such as engineers, accountants, doctors, lawyers, and clerks. The engineer group is then further subdivided into classifications such as civil, electrical, mechanical, sanitary, hydraulic, mining, chemical, etc. Each subgroup is then studied carefully to see what levels of difficulty and responsibility may be recognized, and a classification finally emerges which accurately designates various positions as Junior Mechanical Engineer, Senior Mechanical Engineer, Principal Mechanical Engineer, etc. This procedure is followed for every occupation.

Once the classification plan has been developed, thorough, accurate, and comprehensive descriptions of each grade, type, and occupation encountered in the public service have been prepared, and all authorized positions allocated to a particular occupation, type, and grade, the President and his Ministers are equipped with a highly useful tool of administrative management. Among its primary uses are the following:

1. It facilitates proper recruitment. An intelligent hiring program is impossible if there is not enough information available about positions to ascertain the type of person and qualifications needed to perform the duties of the position. It would be folly to employ a high-grade secretary to perform simple, repetitive, routine typing. It would be equally foolish to recruit an inexperienced person to perform difficult secretarial work. This is precisely what is happening every day in the Bolivian National Government in the absence of a position classification plan, since there is no information which describes the nature of the position, their level of difficulty, in what features they are alike, and in what respects they differ. A position classification plan is essential for effective recruiting, in order that proper qualification requirements may be established

for the position and appropriate testing measures used to determine who possesses the qualifications required:

2. The classification inventory is essential so that positions may be judged in their proper relationships to each other in order that a salary may be attached to the position which reflects its relative worth when compared to other positions of greater or lesser responsibility.
3. The classification of positions is highly useful in effecting transfers of personnel from one organization unit to another and opening up the entire Government service to persons with demonstrated ability. Because the classification plan provides a description of the duties of all positions, it facilitates the appraisal of the extent to which an employee's previous work and responsibilities qualify him for the duties of the position to which he is to be transferred.
4. The classification plan is necessary to indicate when an employee moves from a lower class of work to a higher or more responsible class. This is a promotion and may involve the question of who should be eligible for such a promotion on the basis of merit and fitness. It also raises the question of adequately compensating the employee at a higher rate for assuming more responsible work.
5. The position classification plan is the absolute starting point for the training and educational program essential to raising the standards of the public service in Bolivia. Unless the facts are available about the various positions in the Government, it is not possible to develop a training program which will effectively raise the efficiency of employees now in the Government service.

It should be strongly emphasized that the classification plan is a dynamic program, not a static and inflexible structure. Conditions are constantly changing in any government service. New activities are constantly being undertaken which will require the establishment of classes of positions which did not exist at the time the original classification survey was made. Other services may be reduced in scope, which may result in the elimination or consolidation of classes. Not only do the governmental services change, but also the work of individual employees changes from time to time. Methods and procedures must be established for keeping in close touch with these changes, so that the classification plan may be maintained as a true inventory of occupations and positions in the service at any time. As a continuing matter, both supervisors and employees should be invited to report changes in the duties of individual positions so that proper analyses and, if necessary, reallocations may be promptly determined. Provision should also be made for periodic general position re-surveys of the classification plan, so that unreported changes may be detected and the plan brought into conformity with the operating facts of the Government.

In the last analysis, nothing is so important to employees as the money which they receive in their pay envelopes. In some rare instances there are employees in the Government service whose compensation for their work in behalf of the Government is of secondary importance, but for the vast majority the matter of earning a living for themselves and their families is a serious, and sometimes grim, business.

Any large working force which is properly organized tends to assume a pyramidal form of organization. At the apex is the directing head of the organization who plans the work program, decides major policies, and directs the execution of these plans and policies. Immediately beneath the directing head are deputy heads and administrative assistants who are responsible for executing certain responsibilities which have been delegated to them. The working force then fans out into numerous sub-divisions, sections, and supervisors and thence broadens out to the rank and file employees. The greatest number of employees is found, of course, at the base of the pyramid.

In most organizations there is a direct relationship between the location of the position in this pyramid and the salary paid. The directing head ordinarily receives the highest salary in the organization, with the deputy heads next,

and the sub-division heads, the section chiefs, the supervisors and the rank and file employees following in their respective order. Salaries, moreover, tend in general to be commensurate with the value to the organization of the service rendered.

One of the important purposes of the position classification plan is to provide a proper basis for pay standardization. When positions have been grouped into classes, each containing all the positions substantially similar in duties and responsibilities, it is possible to establish salary rates for each class which will be fair and equitable for all positions found in it. It is also possible to compare the relative worth of one class of positions with another, so that properly related pay differentials may be established among the several classes of positions.

The customary standard pay plan structure may be briefly described. For each class of position there is established a minimum salary, to be paid to employees on entrance into the class, and a maximum salary, beyond which no employee occupying a position of that class shall be advanced. Between the minimum salary and the maximum salary are a number of salary steps to provide for salary advancement as a reward for meritorious service and increased usefulness. In positions in the lower ranks, these salary steps are small. A typical monthly salary range for a junior stenographer might be somewhat as follows: Bs. 1,550 - Bs. 1,610 - Bs. 1,670 - Bs. 1,730 - Bs. 1,790 - Bs. 1,850. In the higher ranks the salary increment is much larger. A range for a typical supervisory position might be somewhat as follows: Bs. 7,100 - Bs. 7,385 - Bs. 7,670 - Bs. 7,955 - Bs. 8,240 - Bs. 8,525. The theory behind the larger increment for the higher positions is an entirely just and reasonable one; a monthly increase of Bs. 60 to a junior stenographer is in keeping with the general pay level applying to the position, but such a small increase in the upper level positions could not be regarded as a proper reward for increased usefulness.

The minimum salary is established, of course, as the lowest compensation which should reasonably be paid for the full-time, undivided services of an employee considering the level of difficulty of the work and the kind of person who will be qualified to do the work of the position. As time goes on, the employee increases in usefulness because he learns more about his work, and some means should be provided for recognizing that increased usefulness. Therefore, a series of salary steps is provided so that this increased usefulness may be rewarded, and so that there will be a further incentive to the employee to improve his performance. The maximum salary is provided to indicate the upper limits of the Government's obligation in the reasonable and economic compensation of an employee turns upon his qualifications, and the availability of opportunities, for promotion to a definitely higher level of responsibility.

TABLE ILLUSTRATING THE STRUCTURE OF A PAY PLAN
(Salary figures on monthly basis in Bolivianos)

Grade	Entrance Salary	First Increase	Second Increase	Third Increase	Fourth Increase	Highest Salary in This Grade
1	500	550	600	650	700	750
2	850	900	950	1,000	1,050	1,100
3	1,200	1,250	1,300	1,350	1,400	1,450
4	1,550	1,610	1,670	1,730	1,790	1,830
5	2,000	2,080	2,160	2,240	2,320	2,400
6	2,600	2,700	2,800	2,900	3,000	3,100
7	3,350	3,430	3,610	3,740	3,870	4,000
8	4,300	4,470	4,640	4,810	4,980	5,150
9	5,550	5,770	5,990	6,210	6,430	6,650
10	7,100	7,385	7,670	7,955	8,240	8,325
11	9,000	9,630	9,720	10,080	10,440	10,800
12	11,525	11,775	12,225	12,675	13,125	13,575
13	14,175	14,600	15,025	15,450	15,875	16,300
14	17,700	18,160	18,820	19,080	19,540	20,000
15	21,150	21,650	22,150	22,650	23,150	23,650

There are very real advantages to a standardized pay plan, Among its more significant administrative values are the following:

1. It provides equal pay for equal work. We have mentioned already the deleterious effect which preferential compensation has exerted on morale in the National Government; under a standardized compensation plan each employee would know that he is receiving an equivalent salary, considering efficiency and length of service, to all other employees performing work comparable to his in difficulty and responsibility.
2. It exerts a stabilizing effect on expenditures for personal services. Under present circumstances a new employee coming into the service, or an employee promoted to a higher position, expects and usually receives the exact salary of the person previously occupying the position to which he is appointed, regardless of the fact that the prior incumbent might have received the salary only after several years of service. For example, Employee A who has six years of service and receives Bs. 3,600 per month resigns. He is replaced by Employee B who formerly received Bs. 2,700 per month and a new employee is hired to replace Employee B at Bs. 2,700 per month. The monthly payroll remains precisely the same despite the fact that relatively inexperienced employees are replacing experienced employees, and the service is consequently impaired at least for a certain period until experience can be acquired. If there were a standard pay plan, however, Employee B would be increased to Bs. 3,00 per month, which we may assume is the entrance rate for the grade formerly occupied by Employee A, while the new person employed to replace Employee B would be paid

Bs. 2,200, which we may suppose to be the entrance rate for the grade formerly occupied by Employee B. The new monthly payroll for these two employees would be Bs. 5,200 as against the former monthly payroll of Bs. 6,300 for the more experienced employees or an annual saving of Bs. 13,200. This is an important counterweight to the inevitable tendency of payrolls to increase, and is essential to the protection of the interests of the taxpayer and the Government.

3. It helps reduce the problem of budgetary management of expenditures for personal service to manageable proportions: when positions have been classified, standard salary ranges assigned, and the work program of an agency translated into terms of so many man-years of work of this and that type of skill and responsibility, the budgeting and control of personal service expenditures can be carried out with precision and rapidity, and many of the present intangibles and areas of conflicting opinion eliminated. Moreover, when new agencies must be set up, as they must from time to time in all governments, it is relatively easy to budget accurately the amounts necessary for their estimated work program. When agencies must be abolished, as they should be from time to time in all governments, it is relatively easy for the budget agency to see that the economies which should result from the abolition of such activities are not absorbed elsewhere in the organization through the transfer of personnel to positions where they are not required, and through other means of evading Presidential policy.
4. It assists the central and departmental personnel agencies in the processes of recruitment and induction. Under a standard compensation plan a potential employee knows what salary he may expect with the training, qualifications, and experience which he possesses. Qualified contestants are more eager to enter competitive examinations when they have reasonable certainty of the salary which they will be paid if successful, and the standards of competition are consequently raised, to the definite advantage of the Government.

Two considerations enter into the establishment of a standard compensation plan. The first controls the general level of compensation, which must be determined in the light of cost of living, supply and demand, current competitive market rates for labor, and the ability of the Government to pay. The second involves the relationship of the various grades of positions to each other as determined by their relative importance, difficulty, and responsibility; working conditions; the standard of living of the particular class of employees; the salary range or spread within the class; and past and present conditions with regard to the compensation of the particular class of employees.

With regard to the second aspect of standardizing compensation, it must be admitted that the procedure, while based upon an exhaustive analysis of present and past conditions must, at some point, become relatively arbitrary. This is the case when any norm or standard is established, and the procedure is not invalidated because it involves changes in large numbers of existing salaries.

The first aspect, that of establishing the general level of compensation in the Government service, must be considered in the light of objective factors. If it is set too low, the Government discriminates against itself and recruits into the public service only the dregs of the competitive process - it gets only the people who cannot earn a living elsewhere. If it is set too high, it involves the Government in obligated rates of expenditure which, in times of economic depression, it will be unable to sustain. Moreover, it is well known that living costs vary widely from one section of the Republic to another. According to the figures of the Bureau of Statistics the general cost of living index varied at the end of December 1941 from 268 in Trinidad to 1,376 in Santa Cruz. This means that the purchasing power of an employee stationed in Trinidad was over 30 per cent greater than that of an employee stationed in Santa Cruz receiving the identical salary. It has already been pointed out that despite apparently enormous salary increases in the National Government, the

actual purchasing power of the salaries paid has declined over the past five years. We may hence conclude that the purchasing power of salaries is subject to wide variation in two directions - first, from one part of the country to another, and second, from one period of time to another.

It is obvious, therefore, that salary standardization on the basis of a fixed number of Bolivianos per month for positions of the same grade would constitute very crude equity and very rough justice. It is suggested that salaries of public employees in Bolivia be definitely related to a cost of living index, and that provision be made in the compensation plan for the periodic adjustment, upward or downward, of the whole salary scale in terms of the cost of living in the locality in which the employee is stationed. This would mean that employees doing the same grade of work in Trinidad, Santa Cruz or La Paz would be able to maintain approximately the same standard of living, although their monthly salaries might be substantially different in amounts. It would also mean that the Government would not be confronted with the necessity of making spasmodic, crude, incomplete, and politically-dictated salary adjustments, as it has recently been compelled to do in the face of political pressure. All public employees would be placed on the same footing and the adjustment of their compensation to the cost of living would be automatic. Political pressures would be relieved. Also, under such a plan it would be possible for the general salary level to go down as the cost of living declined; at the present time salaries can go in only one direction - up. Such a plan, moreover, would in general tend to coordinate Government expenditures for salaries with the ability of the Government to pay, since in times of rising prices and rising living costs, Government revenues ordinarily increase, while Government revenues tend to decrease as living costs decline.

C. Getting the Right Man into the Right Job

After the position classification plan has been completed; after the unnecessary operations have been expunged from the administrative system; after the new procedures and techniques for making government more efficient and economical have been devised; after the standard compensation plan has been agreed upon; after all these things have been done the Government is confronted with the most fundamental of all questions in personnel management - How do we get the right man into the right job?

It has been pointed out earlier in this report that the acute problem of personnel management in the National Government is not to be solved by wholesale, unselective dismissals, or by any crude percentage reductions in personnel, or by any other of the short-cut unreflective methods which sometimes confuse clear thinking about problems of retrenchment in public personnel. The personnel of the Bolivian Government reflects, on the whole, the average intelligence, abilities and loyalties of the population of Bolivia. If every public employee were discharged tomorrow, and positions were filled by present procedures, the level of the public service two weeks hence would be no better, and probably substantially lower, than it now is.

The immediate problem of personnel management in Bolivia is, in the main, that of matching the abilities of present personnel with the requirements of the positions established as a result of the position classification and efficiency surveys to the maximum possible advantage of the Government. In any program which aims toward the establishment of a career public service with permanent tenure, however, it would obviously be fatal to stabilize tenure at a level of ability which is substantially below the necessities of the developing services of the Bolivian National Government; the conferring of permanent status upon present employees would, in our judgment, constitute a distinct disservice to the proper development and administration of the kind of government which the people of Bolivia, from the new tasks and duties which have been imposed upon it over the past ten years, appear to desire.

The Government is confronted, at this juncture in establishing a career system of public service, with two alternatives. It may attempt overnight, as it were, to bring the public service up to desirable levels. It might, for example, subject all employees to rigorous examinations, successful candidates in which would immediately be eligible for permanent appointment. Such a course of action would, in our judgment, if honestly administered, virtually paralyze the Government; there are probably not enough people in Bolivia today with the qualifications which should be required in the personnel of the Bolivian National Government, to man its essential services, no matter what salaries might be paid to attract the best of the country's available persons. This method of procedure, in the opinion of the President's advisors, would constitute a thoroughly impractical and wholly theoretical approach to the problem.

There is a more moderate, and much more practical, avenue through which the levelling-up of the standards of the public personnel in Bolivia may be accomplished. It is a longer process, it is a difficult process, and it is a fairly expensive process, but in the long run it is the only way in which a real career service can be established. The essentials of this second alternative are presented below.

Following the completion of the classification and efficiency surveys, and after the Government has determined how many employees of the several occupations and grades it absolutely requires to conduct the public services, two types of examination for each group of positions in the service should be given: first, an open competitive examination pitched at the permanent minimum level of ability which the Government seeks to establish for each position and grade should be instituted. This examination should be thrown open to all applicants, whether now in the Government service or not. Persons meeting successfully the requirements of this examination should be eligible to appointment and, after a proper probationary period, to permanency of tenure in the service of the National Government. Another non-competitive examination should also be given to persons now in the employ of the Government whose qualifications are not sufficient to permit them to compete on even terms in the open competitive examinations. This examination would be framed primarily in terms of the abilities of present employees, and would be designed to pick the best and the most teachable of present employees for intensive training designed to fit them for permanent employment. Employees qualifying for such training would be retained in their positions on condition that they participate in the training program, and at a later date which would be set by the President depending upon the type and quantity of training required for permanent appointment, a subsequent examination, at a higher and more difficult level, would be given. Employees successful in this second examination would be eligible for further training, and the process would be continued until such employees had been given at least three examinations, the last of which would be at the minimum level required for permanent appointment, and candidates successfully withstanding the final examination would be accorded permanent tenure on a parity with those persons entering through the open competitive examinations.

The training program should, of course, be open to persons not in the Government service as well as those employed by the Government, but only persons in the Government service should be eligible for the non-competitive examination. It should be distinctly understood that the objective of the training program is not restricted to qualifying for permanent employment Government employees not now meeting the minimum standards, but that it is a part of effort to increase the efficiency of governmental operations generally. It is believed that over a period of five or six years, these procedures would bring the level of the public service in Bolivia to an acceptable minimum standard, and from that point forward the attention of the training program might be directed to the constant raising of the standards themselves.

As has previously been intimated in this report, the core of the selective process is the examination. Individuals differ markedly in their basic abilities and skills, and their basic traits are still further conditioned by the environment in which they have lived. Some persons are so skillful with their hands that they can achieve wonderful works with only a few simple tools, such as master craftsmen in glassworking industries; others are so inept in manual dexterity that they cannot so much as hang a picture without doing violent

damage to their thumbs, to the wall, and to the picture. The range of individual differences, as they relate to any class of positions in skills and knowledge is tremendous. The task of getting the right man into the right job, which is an essential part of personnel management, has as one of its principal problems the measurement of these individual differences and the establishment of some order of merit so that those who possess skills and knowledge corresponding to a particular type of position in a considerable degree will be placed ahead of those who possess such skills and knowledge to a lesser degree.

The process of measurement may be looked upon as a series of screens through which those seeking permanent tenure in the public service must pass in order that they may be judged finally to have the necessary qualifications, skills and knowledge to perform a particular job. Each screen is designed to measure a particular attribute which will be needed successfully to carry out the duties of the position, and the screens must be varied in accordance with the particular position to be filled and, in the case of employees now in service, in accordance with the time program by which standards are to be raised to certain minimum levels. The same set of screens cannot be applied to employees whom, over the course of three or four years the Government is attempting to qualify for permanent appointment and those who are competing for immediate permanent appointment. The same set of screens likewise cannot be used to sift out the unfit for the position of Junior Chemical Engineer and Junior Stenographer.

The first screening process is an intangible one. The simple announcement of an examination produces a number of highly significant results: many people not now in the service decide not to take the examination because they realize they have not the necessary qualifications; many employees now in the Government service as purely political appointees and without even the elements of technical qualification for their positions will resign in preference to submitting themselves even to non-competitive examinations. This is the first real screening process.

The second screening process occurs in connection with the submission of an application for admission to the examination for the position, whether to the open competition or the non-competitive test. Some basis must be established early in the measurement process as to the candidates to be admitted to the later examinations. If this is not done, the later processes become tremendously lengthy and costly because of the large numbers of persons who must be tested in a detailed manner. It is necessary, therefore, to require candidates to set forth certain essential information about their previous training and experience which would create a presumption of their ability successfully to withstand the examinations. When the applications are received, they are studied carefully to ascertain whether the candidates meet certain stereotyped requirements, such as citizenship, age, and, for certain types of positions, height and weight. Some candidates are eliminated on the basis of this preliminary review. The remaining applications are then further studied primarily from the standpoint of the training and experience of the individual to eliminate those who do not meet the minimum requirements established for the particular position or group of positions for which the examination is being held.

Both of the foregoing screening processes are crude. The written examination is the first refined device for judging the relative qualifications of those who have survived the cruder screenings, and it may be designed to measure either an innate skill or aptitude or acquired knowledge in a particular field, or both. The basic purpose of the written examination is to obtain in a reasonably short time a sampling of the skills, knowledges, and "teachabilities" of the candidate. It is obviously impossible to test every skill and all knowledge which a candidate may possess, and the examination is inevitably a sampling process. This, however, does not impair its validity, since most human judgments must be formed upon an inductive, or sampling, basis. Before a concrete highway is accepted, for example, a number of sample borings are made to determine whether it meets specifications with respect to thickness, composition, etc. The highway may still have some bad spots which were overlooked when the sample borings were made. In general, however, our experience leads us to rely, with considerable confidence, on the sampling process, and the results of the examination method have definitely sustained this confidence.

In general, those who do well in the examinations do well on the job. Some of those judged to be qualified on the basis of the samplings may later prove to be unsatisfactory on the job because of other deficiencies, but in dealing with large numbers of candidates the assumption may fairly be made that the results of the samplings are reasonably accurate for most individuals.

As the result of the written examinations the group of candidates will have been still further reduced. The screening, process, however, does not end with the written examination, and indeed in selecting persons for many positions in the Government service the procedure up to and including the written examination is merely preliminary.

Following the determination of their results of the written examination it is frequently found necessary to review again the training and experience of candidates in the light of their demonstrated abilities in the written examination. At this point it is frequently possible to make qualitative estimates of their backgrounds. For example, of two candidates for a responsible stenographic and clerical position, it may be found that one has had twenty years of stenographic experience, none of which has included more than routine dictation and transcription and related simple clerical work. The other, we may assume, has had only five years of experience, three of which have been as secretarial assistant to the head of a large business organization. Quantitatively, the first candidate has the longer experience. When reviewed in relation to the particular position to be filled, and taking into account the performance on the aptitude and other portions of the written examination, it may very logically be decided that the three years of highly responsible experience are worth much more than the twenty years of routine experience.

The oral interview and examination is a highly important measurement device through which candidates who have withstood the earlier screening procedures are often conducted. There are two types of oral interviews. One may properly be called the oral examination, in which the competitor is actually tested orally with respect to his occupational information in a certain field. In filling some types of position this procedure elicits a better type of competitor than those who are willing to submit to a long and tedious written examination. It is also useful in filling certain low-grade positions in which the ability to express one's thoughts in writing is not important to the discharge of the duties of the position, and in which the language handicap would eliminate many thoroughly qualified applicants.

The oral interview is used more often, however, as a means for determining if the candidate possesses and can demonstrate certain traits or characteristics which are absolutely essential to the job to be filled, and which cannot be demonstrated satisfactorily otherwise. It is designed to draw the candidate out and to have him discuss his previous training and experience in relation to the particular position for which he is applying. If the position requires initiative, the candidate is asked to discuss with his oral examiners events in his previous experience in which he has been required to exert initiative and the ways in which he has gone about the inauguration of projects and undertakings. If the position especially requires the ability to get along with others, the oral examination usually sheds much light on those characteristics of personality which condition the candidates social adaptability. The oral examination, in its essence, seeks to find out the intangibles of a man's past experience; it assumes that what he has done and has been will provide an accurate forecast of his future performance. For many types of positions, the oral interview is the final, and in many ways the most important, measurement of suitability. This is especially true of candidates for relatively high administrative positions, and for many phases of the professional and technical services.

In addition to these major screens, there are a number of others which have been found highly useful in measuring the qualifications of applicants for positions in the public service. The performance test, for example, is a measurement device in which the candidate is required to demonstrate his ability by performing a piece of work closely resembling the actual performance required on the job. Obviously, the best way in which to test the qualifications of a stenographer who is required to take dictation at the rate of 90 words per minute and to transcribe this dictation at the rate of 50 words per minute is to give the candidate the dictation at the required rate of speed, time the trans-

cription, and evaluate the resulting typewritten paper on the basis of speed, accuracy and neatness. A bricklayer may be taken to a project under construction and required to demonstrate his skill in actually laying brick. The performance test is a highly accurate measurement device, especially when administered in conjunction with physical, psychological and other types of tests. Under some circumstances it is too time-consuming and too expensive for practical purposes, but whenever possible it should be utilized because of its accuracy and reliability.

The Brazilian National Government requires every candidate for employment to sustain, in addition to other tests, a rigorous general physical examination before being placed on the payroll and accepted employees are subject to periodic reexamination; such physical examinations are likewise demanded by the Government of the United States. Not only is this intended to safeguard the health of present workers but is a safeguard to the individual, which prevents his assignment to duties which he is physically unable safely to undertake. It has a more selfish purpose also, in that it is a safeguard against specious claims for indemnification for injuries or illnesses allegedly sustained in line of duty. Such examinations are especially important where the Government offers pensions for disability and guarantees certain minimum pension payments. There are, moreover, many occupations within the Government service which require special physical abilities; this has long been recognized in the selection of candidates for certain branches of the military service - aviation, for example but has not been sufficiently extended to the civil branches of administration. The work of a carabinero, to take a single illustration, requires considerable physical endurance and agility above the average. Rigorous medical examinations, designed to eliminate those who cannot endure or who would be permanently harmed by the exhausting efforts which such occupations require, are essential to the selection of good human material for these important public positions.

The character investigation as a selective measurement device has received greatly increased emphasis in a number of countries recently, where the associates and political views of applicants for the public service are important factors in their suitability for certain types of confidential work in which loyalty and complete honesty are indispensable. In the main, it has been found that the type of investigation of character usually made by the criminal police is the only kind of investigation which yields truly pertinent information and satisfactory results. The Federal Bureau of Investigation of the United States Department of Justice has probably developed the methods and techniques of character investigation of applicants for positions in the public service to a more advanced point than have most of the democratic governments.

The final stage in the process of getting the right man into the right job is that of actual placement. Up to this point the process has been concerned with the selection of those among the present employees who are actually or potentially suitable for permanent employment, and those from the population at large who are able to meet the minimum requirements of the permanent service. The procedure of placement usually follows these three steps: 1) The appointing authority, probably the proposed Personnel Office of the Ministry, notifies the central personnel agency of the specific position to be filled; 2) The central agency submits a list of those eligible for appointment, with whatever information the Director of the central personnel agency deems necessary to an intelligent selection from among all those eligible; 3) The appointing authority interviews those certified and, if it is satisfied with any one of them, notifies the central personnel agency which one it is hiring.

The concluding step of the placement process is the probationary or working test period. We have mentioned already the fact that despite the increasing accuracy of measurement and testing devices, it sometimes occurs that a candidate who has passed the examination successfully turns out, because of personality or other difficulties, not to be able to fit into the organization and perform satisfactorily the duties of the position. It is a well-established practice, therefore, to require the employee to serve for several months before receiving permanent status. This working-test period is highly important, for it is the final measure of the employee's ability to do his work. He should be observed carefully during his probation period to determine if his performance is satisfactory, and every aid should be given him so that he may become properly ad-

justed to his working environment. Too frequently an employee is put to work without receiving proper instructions as to his specific duties, which results in mistakes and errors for which the employee is not really to blame. It should be remembered that during the probationary period the employee is not only on trial with the agency to which he is assigned, but that the agency is also on trial with the employee. If there is failure at this point it is by no means to be presumed to be the fault of the employee, and a governmental agency which has a poor record in getting its employees through their probationary period needs a careful study by both the central personnel agency and the central budget office.

The length of the probationary period, as well as the type and extent of supervision and training during the period, should be adapted to the level and character of the work to be done. In general, an employee should receive permanent status just as soon as his capabilities have been adequately demonstrated. It should be possible, for example, adequately to test the capacities of a stenographic employee on the job within three or four months. An accountant probably would require a longer probationary period. The Brazilian National Government subjects its technical employees, for example, to a probationary period of five years, although clerical and certain other types of workers receive permanent status in much shorter time.

D. Training Public Employees

Reference has already been made to the fact that in any effort substantially to raise the standards of its public services the Government of Bolivia is impaled upon the horns of a dilemma. It cannot summarily dismiss large numbers of public employees whose qualifications are obviously sub-standard, because it would not, from the present population, be able to recruit persons whose qualifications were significantly superior to those now employed. On the other hand, it cannot afford to accord permanent status, especially in view of the probable introduction of new and somewhat more difficult techniques and procedures, to employees whose present capacities are far below even the current technical requirements of the services administered by the National Government.

There is no royal road to an efficient corps of public employees. If the public employees of Bolivia are to become efficient to a degree which will permit them satisfactorily to meet the requirements of modern governmental methods, they must be trained. There must, moreover, be a broadside attack on the whole problem of education for government service - in the schools, in the colleges and universities, and in the various phases of adult education throughout the Republic. The public employees of 1952 are students in the elementary schools of Bolivia today; if they are no better trained in the basic and rudimentary skills than those in Government service today, who were students in the elementary schools only a few years ago, the problem of securing efficient public employees will be further aggravated, no matter what the Government attempts to do to bolster up the abilities of sub-standard public servants. If the universities continue to produce an oversupply of mediocre lawyers and bad posts when Bolivia needs instead many more good administrators, engineers, doctors, nurses, machinists, agriculturalists and, above all, competent public school teachers, the Government will to an increasing degree be compelled to man its technical positions with foreigners or foreign-educated Bolivians, or it will have to admit its inability to cope with modern administrative problems. Neither alternative is tenable.

The Government of Bolivia cannot, in short, continue indefinitely to have available to it largely sub-standard human material. The public schools, colleges and universities have a definite responsibility to the State in this regard, and the Government is justified in taking strong measures to protect its own future effectiveness through assuring an adequate supply of properly-educated native sons, capable of administering the affairs of their country. In another part of this report certain fundamental changes in educational administration are proposed. At this place, and from the standpoint of the needs of the Government in recruiting competent public employees, it may be observed that changes in educational administration are important but they are not

enough. The entire educational program of Bolivia, public, private and sectarian, requires a restudy and fundamental overhauling. Then education fails as significantly as it is failing in Bolivia today to meet the needs of the Government and the social and economic order generally, radical measures are in order for its reform. If autonomy, wherever it is encountered, gets in the way of fundamental educational reform, autonomy had better be dispensed with. The schools, colleges, and universities are the servants of the whole people and of the State, and must serve the needs of the whole people and the State.

In the long-run view, therefore, the training of public employees is an integral part of the education and training of the people generally, and involves a fundamental reorientation of the approach of the educational system in the direction of serving adequately the technical and scientific necessities of life in the modern world.

Without losing sight even momentarily of the long-run problem, or of diminishing in the least the intensity of the effort for fundamental reform of the entire educational system, the Government of Bolivia must also face the urgency of its short-run problem of education for public service. How can a substantial portion of the personnel now employed by the Government be qualified to serve in at least a minimum measure the current technical requirements of modern public administration?

It is a common error to think of training in terms of traditional and stereotyped educational programs and methods - school-desks, textbooks, and formal lectures. It is true that some training programs may utilize successfully these traditional procedures, forms and equipment, but successful training more often relies on other devices. The first fundamental of training is that it must aid the employee to increase his skills or knowledge. The second is that these skills and knowledge must be intimately and directly related either to the work in which the employee is engaged or to work to which he is likely to be assigned. The third is that the program for accomplishing these objectives must be planned and organized. Combining these specifications, training may be defined as the process of "aiding employees to gain effectiveness in their present or future work through the development of appropriate habits of thought and action, skill, knowledge and attitudes."

Several elements of this definition are important. Even though the employee may become more effective in his work entirely through his own unaided effort, this is obviously not training. Training includes as an essential element the concept of aid for the employee in increasing his effectiveness. This aid may assume a variety of forms, as will be pointed out later in this report.

A second element of the definition that should be remarked is the emphasis which it places upon the employee. Training is not, and cannot be, the imposition of skills and knowledge from above or from the outside; it is a process in which the role played by the employee himself is of the maximum importance. Training must effect a change in the work-habits of the employee, in his attitude toward his job, in the information and knowledge which he applies in his daily work. Without active and sincere participation by the employee, it is not likely that **this change will occur.**

A third element of the definition of vital importance is that part which emphasizes the relationship of training to "effectiveness in the employee's present and future work." A training program must be intimately related to specific practical jobs. An employee may study French, or modern literature, to his own considerable personal satisfaction, but if his job is that of repairing trucks in a garage maintained by the Ministry of Public Works, such study could hardly be called training.

For the purpose of clarifying the scope and content of training as applied to public employees, certain distinctions and definitions may profitably be employed:

1. Pre-entry education is the sum of all educational experience acquired by the individual before he is accepted as an employee;
2. Pre-entry training is that portion of pre-entry education which may be given to an individual in contemplation of his entering a specific occupation but prior to his acceptance as an employee;
3. Post-entry education is the sum of all educational experience acquired by an individual after he is accepted as an employee;
4. Post-entry training is that portion of post entry education which is designed to improve performance in, or to prepare for, a specific employment;
5. Vestibule training is that portion of post-entry training which prepares an individual for a specific occupation or employment after he is accepted as an employee but before he actually enters definitely upon the job, i.e., training during probation.

These definitions are intended only to clarify relationships among various forms of education and training and do not, of course, state completely the content of any one of the terms defined. The definitions have the merit of distinguishing between educational opportunities made available to the employee for self-improvement along lines of his choice as a stimulus to morale and training which is aimed directly at raising the level of occupational performance. In the former the Government should take a very real interest; for the latter it must take full responsibility and, for some time to come, at least, exercise coercion to secure the participation of a substantial portion of its present employees. The definitions are also useful in establishing the connections between education and training, which are intimate and continuing, and which, for the full effectiveness of either, ought to be clearly articulated.

Let it not be assumed that these definitions establish water-tight compartments for defining the subject matter of various types of education and training. While French and modern literature would obviously not be properly regarded as post-entry training for a mechanic employed in the repair of trucks in the Ministry of Public Works, they would be very pertinent post-entry training for a subordinate in the Ministry of Foreign Relations preparing for an appointment in the foreign service.

There is some danger that training may, in the process of definition, be reduced to mere mechanics. It is infinitely more than mechanics; it is a philosophy and an administrative way of thought. A distinguished industrial executive in the United States has said that nine out of every ten management functions can be classified as education and training. This is because the basic task of management is to get work done economically and efficiently, and wherever there is work to be done employees must be trained to perform this work with economy and effectiveness.

If training is incorporated in the thinking of the President and his Ministers about getting the work of the Government done; if training is considered an integral part of the process of administration; if the training becomes an ever-present element in the working habits of the President, the Ministers, the directors general and the section chiefs, then it will assume a variety of constructive forms which will condition the attitudes and work-habits of employees from the top of the Government to the bottom.

Wholehearted acceptance by the President and his associates of the training idea will enable them to visualize training opportunities in the day-to-day relationships with their subordinates, will lead to the planning of employee experience in terms of training, and will lead to a continuous administrative search for training opportunities wherever they exist or can be made to exist. Only by such wholehearted acceptance will training become a live, creative method for making government efficient.

Problems of organization for training are vital, but not complicated. The responsibility for the training program is that of the President, to be exercised through the National Office of Personnel. A mere statement of the relationships between training and other aspects of the personnel program should suffice to make this clear:

1. Training is supplementary to the recruitment and placement process. The nature of experience and education established as a prerequisite to employment determines in large degree the training job to be done, especially where, as at the outset of the training program in Bolivia, it is primarily concerned with salvaging for permanent employment as large a proportion as possible of the numerous group of sub-standard employees.
2. The position classification plan will, to a very large extent, furnish the basis for establishing the content of the training program in terms of duties corresponding to each class of employees. Indeed, an important future development of the class specification may very profitably include a statement of the post-entry training required if the employee is selected in accordance with the qualifications set forth in the specification.
3. Ratings of the efficiency of the services of employees, which are discussed in another part of this report, disclose employees whose performance is weak and, if carefully analyzed, reveal training needs which are common to many employees.
4. In the advisory review of disciplinary cases by the National Office of Personnel, it should be assured that the responsibility of the disciplined employee's supervisors for training has been fully exercised. A situation apparently requiring disciplinary action against the employee may well, upon investigation, suggest the disciplining of the supervisor for failure adequately to instruct and train the employee in his duties.
5. The promotional system should provide flexible credits toward advancement for the completion of training courses. Since the National Office of Personnel must control promotions, it needs also to control the allowance of credit for courses in the training program.

Without active employee participation in planning for training, the program is very likely to run into the insurmountable barrier of employee apathy and lack of interest, and to reduce the extent of employee participation to that of mere compliance, in order to keep on the payroll. Active interest on the part of the President and his Ministers in the provision of training opportunities will do much to assure employees that their efforts to increase their efficiency and ability are appreciated in high administrative quarters. But the President and his Ministers should go even further. They should satisfy themselves that every Chief Official in the Government takes an active interest in assuring himself and his Minister that every trained employee has an opportunity to apply his training on the job, and that no employee is hampered by an unsympathetic or incompetent supervisor. Lack of opportunity to apply training to the job can be disastrous to morale and may destroy all employee interest in training.

In the initial stages of a training program a thoroughgoing analysis of the training situation is required, and should follow immediately upon the completion of the position classification and administrative procedures surveys. Such an analysis should be based upon the following data: 1) The number of employees; 2) Occupational classifications; 3) Previous education of employees; 4) Previous experience of employees; 5) Age distribution of employees; 6) Need for training opportunities as (a) expressed by supervisors, (b) expressed by employees, and (c) as indicated by a matching of qualifications contained in class specifications against the qualifications of employees currently occupying such positions.

This preliminary analysis should be followed by a series of conferences in which all organization units of the Government, and all levels of employees, should participate, in order firmly to establish an appreciation of the philosophy and significance of post-entry training. The President of the Republic should himself preside at these conferences. The situation with respect to the aims and objectives of, and the necessity for, the training program should be discussed frankly with the employees, and an effort should be made to identify, in terms of the employee mentality, the major needs for training. The employees should also be encouraged to participate in the formulation of the mechanics of the program, under the guidance of the National Office of Personnel, by way of: 1) The development of training opportunities through special supervisory and instructional techniques on the ground in the various organization units of the Government itself; 2) The use of local public schools; 3) The use of local universities or other educational institutions; 4) The use of special educational services provided by certain Ministries; 5) The use of special educational services provided by national professional associations (engineers, etc.).

A series of special conferences with section chiefs and directors general may also be necessary in order to integrate and give direction to the general conclusion which have been formulated in the larger conferences.

This process of training analysis should result in the identification of certain large groups of governmental personnel with special training needs. These groups are likely to be: 1) Clerical personnel (stenographers, filing clerks, telephonists, etc.); 2) Administrative personnel; 3) Professional and scientific personnel; 4) Supervisory personnel; 5) Employees who meet the public; 6) Employees who write letters; 7) Police and other special groups.

These large groups are, of course, subject to further classification. The National Police, for example, require a training program for the following types of employees, at a minimum: 1) New recruits; 2) Experienced officers of private grade; 3) Command officers; 4) Records and "housekeeping" employees; 5) Police communications officers; 6) Detectives; 7) Crime prevention officers; 8) Identification experts.

A thoroughgoing survey of training needs should not stop short of including every employee of the National Government in some program of self-improvement. It would not be amiss for the President and his Ministers themselves to meet frequently for discussion, in terms of principle rather than politics, of the problems of large scale administration and management in the modern State.

Following the training analysis, and before any attempt is made to define the content, methods, or procedures of the various training programs upon which the Government will be compelled to embark, it is essential that the immediate objectives of training be clearly understood by those who will bear the administrative responsibility for the program. These objectives may be generally classified as follows:

1. To provide the employee with specific skills which he does not now possess or to develop specific skills in which he is not adequately trained. These skills may be manipulative (how to shoot a pistol with speed and accuracy, how to operate a mechanical tabulating machine, how to operate a power card-punch) or non-manipulative (how to interview a person seeking an audience with a Minister to obtain complete and accurate information concerning their problems, so that they may be referred to the appropriate director general or section chief instead). In either case the objective is to equip the employee to perform a specific operation.
2. To provide the employee with information which he needs in order to perform his daily tasks competently. A health inspector, for example, needs basic information about organic and food chemistry and epidemiology in order to recognize and analyze health hazards in his daily inspectional work.

3. To provide the employee with the proper attitude or approach toward his job. For example, the employee having charge of the sale of tax paper and tax stamps in the Bureau of Internal Revenue should adopt the proper attitude toward the business community which depends upon her efficient services to expedite its transactions. The command officers of the National Police should understand, appreciate, and accept the proper concept of the role of the police in labor disputes. The traffic officer should accept the proper approach toward a traffic law violator. Receptionists in Government offices should adopt the proper attitude toward inquiring citizens who are, in fact, their ultimate employers. Training objectives which fall in this class are often the most difficult to achieve, because they involve replacing deep-seated prejudices and habits with radically new ways of thought and action; some of the most subtle successes in training are won in this field.
4. To prepare the employees for promotion to a higher post or transfer to another position. This objective usually partakes of one or all of the foregoing, but it raises special problems with respect to the opportunity afforded the employee to apply his training immediately to the job, and frequently involves special arrangements.
5. To provide the employee with a basic understanding of the objectives and operations of the entire organization unit, Ministry, and Government for which he works. This is as true of professional and scientific workers as of employees performing routine clerical or purely manipulative duties. Even though this insight may not impinge directly upon his work, it stimulates his morale and makes him a better representative of the Government in the community at large. The technician employed by the Bureau of Standards of the United States Government who, after twenty years of service, thought that the Government's primary function was the establishment of standards for the regulation of weights and measures, was not an especially effective representative of the Government in the circles in which he moved.
6. To provide the employee with a thorough understanding of all work being done in the Government to which his own work is related. The work of an employee in the Commercial Section of the Bureau of Internal Revenue can be done much more intelligently if he understands the price control operations of the Bureau of Industry and Commerce in the Ministry of National Economy. In the case of the routine worker, filing documents day after day, it is a strong stimulus to morale to understand how vital the filing processes are to securing order and promptness in the transaction of the Government's business. Very few public employees could fail to profit from an effort to broaden their vision through acquainting them with the ramifications of the work which they perform.

It is far beyond the proper scope of this report to enter into a discussion of training techniques and methods, or to suggest when and under what circumstances the demonstration technique, the conference method, the lecture system, the planned experience program, or the circulating library plan may be most effectively employed. These, as well as many other operational questions, cannot be discussed in a vacuum. They achieve significance only in terms of a determined training job to be accomplished. It is enough to point out at this place in our report that there need be no guesswork, no improvisation, no experimentation in the adoption of training methods once the training survey has been completed and training objectives maturely analyzed. Every training job that the Bolivian Government is likely to undertake for some time to come has been done, and done successfully, somewhere before. What is needed is a careful study of the experience of training efforts in Bolivia, in Brazil, in the United States, in England, and in various other places in the light of the requirements of Bolivia. Training is an expensive process, when considered in the light of the aggregate number of man hours on the part of the teachers and the taught which it requires. Moreover, the Bolivian Government needs urgently quick results from its training program. It cannot afford the luxury of experimenting with untried methods, or with improvising techniques as it goes along.

The training program cannot be set in motion and forgotten. Like all governmental procedures, it should be critically reappraised at periodic intervals. Training procedures, like financial procedures, personnel procedures, and large scale operations in general tend to become disassociated from their basic objectives, and considerations of methods and machinery obscure the fundamental purposes which the procedures are designed to serve. Traditional educational measurements are, unfortunately, not of much applicability in evaluating the success of a practical training program, since they rely almost exclusively upon testing procedures which determine only whether a child has learned well what the school aimed to teach him, without reference to whether what the school aimed to teach was worth learning in the first place.

The evaluation of programs of practical training, such as those urgently required in the Bolivian National Government, has by no means been reduced to really scientific and accurate measurement. Some of the procedures which have been found useful are outlined below:

1. The program can be appraised to a limited extent by the application of a prior principles of successful general educational practice. Does the program elicit the interest and continued active participation of the employees? Are approved educational methods used? Is the instructor experienced in the occupations which he is attempting to teach? Is the subject matter pertinent and is it well organized and skillfully presented?
2. An extremely useful measurement is the opinions of the people being trained. In what respects does the training program correspond to problems encountered in their daily work experience? To what extent is the program immediately useful to them in solving their daily work problems?
3. The opinions of supervisors are highly pertinent in evaluating training programs. Supervisors are in the best position to observe the performance of trainees on the job. In the final analysis, however, supervisory opinion is just as valid as the system of service ratings, which will be discussed later in this report, employed by the Government. Service ratings will serve effectively the objectives of the training program only if they produce individual profiles of employee performance exhibiting weaknesses and strength. In a large proportion of stenographic employees are rated as strong in typing speed, but weak in grammar and punctuation; the suggestion for training is fairly clear. Supervisory opinion is not the final test of training, because it does not test the extent to which ultimate objectives are attained. The end purpose of training is to increase the aggregate effectiveness of governmental service, and the improvement of individual job performance is only a means to this end. If the employee's job has not been properly planned and clearly defined, no amount of expertise which he may attain will yield maximum results in behalf of over-all governmental efficiency.
4. Objective measurements stated in terms of increased governmental effectiveness are the most difficult, but the only ultimately valid, techniques for evaluating the training program. Unfortunately, the relation between training and the end product is not always apparent, and the existence of training as a cause and governmental performance as a result can rarely be identified with absolute certainty. Some reliable objective measurements can be established. A effective training program ought within a relatively short period to rectify weaknesses in grammar and punctuation in stenographic employees, and the effectiveness of such training is readily susceptible to mathematical measurement - how many errors of grammar and punctuation are made now per week in comparison with the number made before the training program was undertaken. Employees being trained in the use of mechanical tabulating equipment may also be objectively rated as a test of the effectiveness of the training program; how long is required to produce complete verified reports involving a stated number of basic items,

after the basic data is placed at their disposal? Other opportunities of objective measurement exist in every governmental agency, and should be searched out and utilized if the Government is to secure truly accurate appraisals of its training program, and to guide the program along lines which will contribute to the attainment of maximum over-all governmental efficiency.

The training job is never finished. The amount of time subtracted from the employee's work day in order to train him along formal lines must, of course, be held within relatively strict limits. It is possible to devote so much time and attention to training that the Government's job remains undone. On the other hand, even the formal training program should be continually expanded until the Government is absolutely sure that it has reached the point of diminishing returns. A properly administered personnel and rating system will provide reasonably accurate measures of the definite and tangible accomplishments of the training program. As long as appreciable improvement in employee performance is being secured, the Government cannot afford to restrict even the formal training program.

Under all circumstances, however, the informal training program implicit in the supervisor-employee relationship should be developed as an integral part of the administrative procedure. A supervisor who is not a constant teacher is failing in his most significant supervisory function.

E. Employee Health and Welfare

One of the neglected areas of personnel administration, and of public administration generally, in Bolivia is that of the physical environment in which the Government attempts to get its work done. Dark offices, low temperatures, dirty corridors, stale air, crowded desk space, re-schoing noises all have a depressing effect which not only makes it impossible for an employee to do effective work but also produces an unfavorable public reaction. There is no axiom so true as the one which affirms that in order to command the respect of others, one must first respect oneself. It is time that the Bolivian Government took this lesson to heart. Some of the buildings in which Government operations are carried on, such as that occupied by the Ministry of Health, Welfare, Labor and Social Insurance are menaces to the public safety, and should be demolished. Even the new buildings, such as that occupied by the Ministry of National Economy, have not been well constructed and are very deficient as to heating, lighting and maintenance.

Proper ventilation to keep air fresh, uncontaminated and in motion, comfortable temperature, and controlled humidity have an appreciable effect on the quantity and quality of work done. Scientific studies have demonstrated a very direct relation between room temperature and employee output. The most efficient temperature for intensive work has been found to be between 20° C. and 21.1° C. Recent sample investigations by the President's advisers revealed office temperatures as low as 12° C. The cost of failing to provide adequate temperature control of public offices and work places is difficult to estimate, but industrial research has indicated that a variation of as much as 4° C. from the temperatures of maximum efficiency may decrease production as much as 15 per cent; it may hence be deduced that the direct waste in manpower in La Paz alone resulting from the maintenance of sub-standard temperatures is not less than 500 man-years annually, leaving out of account the losses in time due to sickness resulting from these temperatures. Here is a solemn thought for a Government interested in reducing its personnel

The adequacy of lighting facilities has an important effect on the efficiency of employees. In the inspection which was made of Government offices in La Paz and elsewhere, literally hundreds of clerical employees were observed working with their eyes not over 15 centimeters from the papers with which they were dealing - the sequential result of poor lighting and poor vision. If lighting in public offices were brought to the standards of the Illuminating Engineering Society, and every public employee with defective eyesight were

provided with glasses at Government expense, the improvement in employee health and output would far more than compensate the Government for its investment.

The State, moreover, should be a model employer. A government which requires industry to protect its employees from sickness and accident should take similar precautions for its own employees. Instead of following, the Government should lead in providing low-cost medical service for its personnel.

It should be recognized that the various plans for continuing partial wages to employees during sickness or disability are wholly inadequate, and do not meet the need for medical services. The cost of securing adequate medical care often constitutes such a serious drain on the budget of persons receiving less than Bs-1,500.00 per month, in which class the vast majority of National Government employees fall, that they frequently refrain from consulting a physician until illness has advanced to its serious stages. The cost of medical service in many cases involves the incurrence of a relatively large debt by the employee, and worry over it greatly reduces his productivity. The assurance of low-cost medical care not only increases the employee's sense of security and enables him to do better work, but it also permits the practice of preventive medicine in order to ward off sickness, and thereby greatly increases stability of attendance and production among government employees. Both the Government and its employees gain, therefore, in a cooperative scheme to spread the cost of sickness and to ensure to every employee immediate medical attention when he requires it.

Among the more successful group-health organizations of public employees operating in a capitalistic economy are Group Health, Inc. in Washington, D.C. and the Ross-Lucas Clinic in Los Angeles, California. In Los Angeles about 7,500 employees belong to the cooperative medical care program. Each employee pays \$2.00 per month, which on a relative salary basis would approximate about Bs. 20.00, for which he receives the following services as needed: all medical and surgical attention, including diagnoses, laboratory tests, X-rays, operations professional consultation at office or home; all medicine dressings, splints and other supplies except eye-glasses, crutches, wheel chairs, dental supplies, and insulin; hospitalization where prescribed, including all costs; ambulance service where prescribed. Probably the most extensive general development in the Americas of low-cost medical care through cooperative efforts similar to the one described is in the Republic of Cuba; the health and welfare organizations of this sister republic merit the careful study of a Government interested in assisting its employees to secure medical care. The Government-sponsored public employee health program of the United States of Brazil is likewise highly interesting from the standpoint of continuing medical care. The general experience to date points to the following principles as essential to the satisfactory administration of a program of low-cost medical care:

1. General medical as well as specialist care should be provided, and the panel of physicians should include a due proportion of general practitioners;
2. Members of the medical staff should coordinate service and pool knowledge in order to give each patient the best possible diagnosis and treatment;
3. A particular physician chosen by the patient from among the panel should be held responsible for medical care rendered, and continuing of relationship between the patient and the particular physician should be encouraged;
4. Systematic procedures for the professional stimulation of the medical staff and the maintenance of high standards should be undertaken;
5. The program of low-cost medical care should be associated with a hospital wherever possible, and the same group of doctors should be responsible for the care of patients in office, home and hospital;
6. Agencies organized for profit should be avoided in the provision of low-cost medical care.

It is strongly urged that the Government, after study, undertake the provision of a comprehensive program of medical care for its employees. The returns to the Government in increased efficiency of its employees will be found to justify a substantial expenditure of Government funds, while its benefits to the employee warrant action by the Government which would make participation compulsory at employee expense for any services which the Government feels that it is not justified in underwriting.

F. Attendance Upon Duties

The development of a plan of position classification and salary standardization is predicated upon quantitative, as well as qualitative, considerations. It assumes that the Government requires the full working time and undivided attention of its employees for the transaction of public affairs, that the Government will not permit its employees to pursue other occupations while in Government employ, and that the Government in establishing an equitable and just compensation plan intends to purchase the full time, undivided attention, and unconditional loyalty of those admitted to Government service.

For the quantitative considerations involved in the administration of the personnel program, the Government must state its requirements in definite terms and must enforce those terms with rigidity and impartiality. The fact which most impresses a foreigner studying the Government of Bolivia is the casual attitude which public employees exhibit in relation to working hours, and the extreme leniency which is observed with reference to some employees, at least, in the total time they are required to work, in the hours within which the work must be done, and in the coordination of working hours with those observed by the remainder of the personnel.

It cannot be emphasized too heavily that a great deal of government work is processing. It involves the methodical and orderly application by various people of special skills and techniques to papers, documents, and other affairs. In many respects, it does not differ materially from work on the production line in an automobile factory. Its essence is teamwork, and it cannot function efficiently if certain members of the team do not choose to play at the scheduled time, or choose to play less than the scheduled periods.

It is not without significance that the President's advisers discovered only one time-clock in the whole of the Government's offices in La Paz; this time-clock in the Office of the Comptroller was broken and had been out of use for many years.

Whether accomplished by time-clocks or otherwise, punctuality and regularity should be required of all employees, from the Chief Official to the lowliest messenger in the Ministry. Hours of work should be standardized for various classes of employees as nearly as possible, and unavoidable differences in hours should be reflected in the compensation. The essence of proper administration of time schedules is a clear and unequivocal statement of what is required, and rigid enforcement of requirements.

It is common industrial practice to provide additional compensation for overtime work. Although most overtime work is a result of incompetent planning by supervisors, it is sometimes unavoidable in peak periods which occur in certain services. Unless it is feasible to compensate for overtime with equivalent time-off, without impairment of the service, a policy of extra payment for overtime is usually an economical practice.

If employees are casual in their attitudes toward attendance upon work, they are not wholly to blame. The long-standing practice in Bolivia of declaring holidays in public offices on the slightest pretext, such as the death of a minor politician, is a great deterrent to the smooth functioning of the machinery of government and results in enormous losses of momentum. During the period April 15th through June 15th the President's advisers recorded seven special holidays accorded public employees. If this rate obtains throughout the year,

the total time lost will be about 1,080 man years. Here is another solemn thought for a Government which is seeking to reduce its personnel.

The Government should, at an early date, establish by law the regular national holidays; these holidays, and no others, should be permitted to be observed in Government offices. Employees who wish to attend funerals should, of course, be permitted to do so with the permission of their supervisors; such absences should be charged against annual leave, as indicated in subsequent paragraphs of this report.

Closely related to hours of work and holidays are leaves of absence, which fall into four major classes: 1) sick leave; 2) vacation leave and other leave with pay; 3) voluntary leaves without pay; and 4) enforced leaves without pay. It is highly important that regular provision be made for all types of leave, and that the rules regarding leave be published. Employees have the right to know in advance under what conditions leaves will be granted, and lost time can be avoided by proper advance planning.

Employees must, if the personnel system is to be realistic, be allowed a reasonable amount of leave with pay for unavoidable absence from work on account of illness. The personnel agency has two obligations with respect to sick leave: first, to make certain that the Government is not being imposed upon by employees who without justification automatically take the maximum amount of time allowed; second, to protect employees from endangering their health by continuing to work when they should be under the care of a physician. Controlling sick leave by means of an adequate system of attendance records and with the aid of a staff physician when necessary is an essential function of the personnel agency.

At the present time employees of the National Government, according to information provided the President's advisers, are entitled, upon filing of proper medical certificates, to three months' sick leave with full pay, without regard to the length of their service with the Government. Employees suffering from serious illness or one of indefinite duration are, upon certification by the attending physician, released with the payment of three months' salary in advance.

This appears to be excessively liberal in some respects and needlessly strict in others. The requirement of a doctor's certification of all illness tends to reduce the certification to a purely routine affair; physical conditions which justify the employee's remaining away from work for one or two days are often not susceptible to valid medical diagnosis, and a purely pro forma certificate, sold on a vending machine basis, is likely to become a fixed feature of medical ethics. On the other hand, the allowance of three months' leave at full pay immediately upon employment goes far beyond the proper obligation of the Government, and the failure to allow the cumulation of reasonable sick leave is a strong incentive to absenteeism under circumstances militating against very effective medical control.

Sick leave in most governments with progressive programs of personnel administration and adequate systems of attendance control are related to the length of employee service, and are backed up by official medical verification in cases where such seems to be indicated. The United States Government allows 1½ days sick leave per month of service, and permits the accumulation of sick leave up to a total of 90 days. This has been found adequately to cover the vast majority of cases, and it encourages employees to avoid abusing their privileges in any one year as a form of insurance against extended illness in subsequent years. Taken in connection with a pension system offering reasonably liberal disability retirement provisions, such a plan meets most of the requirements of justice and equity.

At the present time, according to information provided the President's advisers, employees of the National Government are awarded fifteen days vacation leave a year; none of this leave may be taken, however, until the employee has completed three years of service, at which time the determination of the amount of vacation leave to be taken in any one year, up to the maximum of forty-five days, is a matter of administrative determination by the employee's superiors.

This provision is defective in certain particulars. In the first place, the excessive cumulation of leave required prior to any leave becoming effective is at odds with the fundamental purpose of according vacation leave. The aim of vacation leave is to assure that employees are removed from the routine of their occupations for reasonable periods at least once a year. In a properly operated personnel program, the employee who does not take his leave each year as it is earned should be the very rare exception. It should, furthermore, be frankly recognized that a vacation of sixty days every two years does not serve the purposes either of the Government or the employee, and the cumulation of vacation leave from one annual period to another is a contradiction in terms, except under very extraordinary circumstances.

A better provision would seem to be one which allows the employee $1\frac{1}{2}$ days annual vacation leave for each month of service, with provision for the proration of leave for employees with less than twelve months of service, and, under proper safeguards, for anticipating leave. Any vacation leave not taken at the end of the annual period in which it is earned should lapse, unless the employee shall have foregone taking his leave at the regular time at the written request of his supervisor, which request should be approved by the personnel agency.

The educational leave is another type of leave with pay which is being increasingly encountered in the public services; it has probably been most extensively and successfully used in the public health services, but is being rapidly extended to all professional and many administrative services. This type of leave should be especially significant in Bolivia, where professional, as well as administrative and clerical, standards are lower than efficient government service can tolerate indefinitely. The personnel agency has the responsibility for stimulating, regulating, and evaluating leaves with pay given to public employees, since they can, unless conducted on the basis of the strictest propriety, create serious problems of morale.

The practice of according voluntary leaves of absence without pay to employees who desire to undertake studies or other types of work experience which may increase their usefulness to the Government is a highly important development in recent years in jurisdictions operating under civil service regulations. While procedures of this character have formerly been regarded as unduly disruptive of administrative routine, it is now realized that the enormous broadening of the horizons of public administration in recent years has created a situation in which few administrators, especially young men, are able to attain proper administrative stature without a broader type of experience than can be gained within a single administrative environment. In the United States of North America, for example, a number of universities offer liberal financial stipends to employees of proper background and training who are able to secure leaves of absence from their Governmental employers for a period of study and intellectual revitalization on the university campuses. Many governmental agencies now undertake active programs encouraging their more promising employees to broaden their administrative experience by work in other agencies, or by occasional leaves of absence for further formal education.

The personnel agency has an important role to play in implementing procedures of this character; it should attempt to assure that employees given leaves of absence without pay are those whose potentialities are such that there is a reasonable presumption of their broader experience being reflected in enlarged opportunities for service in the employing agency, and it should, in collaboration with the supervisor of the employee given leave, arrange for interim disposition of the employee's work in such way that his re-entry at the expiration of his leave will be made easy and the minimum inconvenience caused during his absence.

Enforced leave without pay may be the result of the discharge of personnel because of reduced volume of work, or it may be a disciplinary measure. The best interests of the permanent civil service objective are served when an employee discharged for reasons of economy, without prejudice to his work record, is given preferential treatment in re-employment. Such employees should be discharged, moreover, in inverse relation to their value to the Government as revealed in their efficiency rating; especially should the simple seniority rule, under which the oldest employees are discharged last, be avoided.

G. Service Ratings and Promotions

It is obvious that all persons entering the public service cannot reach the top. The great bulk of the service will consist of relatively lower-paid employees. However, that public service which does not provide a definite system for seeking out employees of intelligence, training, aptitude, and capacity for higher grade administrative work is laboring under a tremendous handicap. Promotion from within the service of the best qualified employees tends to exhibit to all public employees the fairness of the system under which they are working. Employees have demonstrated to them that the failure of any one of them to be promoted to a higher position is due to his own limitations and not to favoritism or other factors unconnected with efficiency.

The distinction between salary increases within the grade and promotions should be clearly understood. Salary increases within the grade are granted in recognition of increased proficiency and continued service within the same position. Promotion, on the other hand, is the process of advancing an employee from one position to a position of a higher class, and involves the assumption of more difficult duties and larger responsibilities. It is important that all employees understand the process by which selection for promotion is made. There are four bases upon which promotion may be made. These are briefly discussed below.

Seniority is one of the oldest methods of selecting for promotion and it is also one of the worst methods. Under the seniority method that employee who has been longest in the position is automatically promoted to the vacant position. This method is based upon the erroneous assumption that serving time in a position is the best way of becoming qualified for the next higher position. As a matter of fact it has been demonstrated that one man may in two years become as proficient in the duties of a position as another man may in ten years. Promotion on the basis of seniority, then, advances employees solely on the basis of number of years served and thus creates unrest, dissatisfaction and bitterness among employees who may be better qualified for promotion but who have not served as long.

Pencil and paper tests are another method of selecting employees for promotion. The greatest weakness of this method is that an employee is judged by what he is able to write in the space of a few hours, disregarding his experience personal characteristics, ability to work with and for others, and numerous other important qualifications. After an employee has worked long enough to demonstrate the work he can do, a pencil and paper test should not be the sole basis for determining his qualifications for promotion.

Still another method of promotion, and the one most used where there is no personnel program, is to allow the head of the office or service to exercise unrestricted discretion in choosing employees for promotion. Under this method, there is no systematic, planned promotional policy. The use of such a method leads to many undesirable results: less qualified employees are promoted over more qualified employees; personal bias and dislikes enter into the selection process; unrest and dissatisfaction are fomented among employees; and employees tend to pay too much attention to currying favor with outside political influences rather than paying attention to the efficient discharge of their duties. Selection from a list of employees who have been found qualified for promotion by examination provides a better method of promotion.

Service ratings (which are discussed below) are still another method used in selecting employees for promotion.

None of these four methods by itself constitutes an adequate basis for promotion of employees. Some combination of the methods must be used. Using a combination of two or more methods, they can be adapted to the general political and administrative situation, to the number and qualifications of the employees, and to the nature of the work being performed. The system of promotion examinations should contemplate using a combination of the above methods.

The promotion plan is intended to improve the quality of work performed by Government employees. A well-advised plan accomplishes this first by securing the best qualified employee to fill each vacancy at the higher levels of the service; second, by stimulating employees to do their best work in order to qualify for advancement to superior work; and third, by improving the morale of the service through the realization that promotion is a reward for meritorious service.

One element to be considered in making promotions is the service rating of the employee. Production and performance standards should be established for each type of position and an employee's production and performance should be carefully compared to the established standards by the immediate supervisor. The results of this comparison are then recorded and the record is reviewed by the section chief who makes whatever comments he may wish on his observation of the employee's work. The service rating is then made a permanent part of the employee's record.

Properly installed and administered a service rating system may be used, as one factor, in making promotions; for making salary increases within a class; for determining which employees should be laid off if budgetary reasons require it; for determining which laid-off employees should be reemployed if budgetary reasons permit it; for discovering employees who should be transferred to other duties or demoted; and for removal from the service for inefficiency.

The proposed National Office of Personnel should be authorized to study and install a service rating system after the classification plan and pay plan are in operation.

H. Discipline and Grievances

In any large organization the need for disciplinary action against some of its members inevitably arises from time to time. Government and administration is essentially teamwork; human nature being what it is, some cases of non-cooperation, and of failing to abide by the rules, are bound to arise. Government should face this fact frankly; strong discipline is essential to strong morale, and is the only way in which the equities upon which morale is built can be preserved. The employee who violates the rules of the game and gets away with it not only himself suborns the welfare and interest of the Government, but presents, by his example, obstacles to the proper performance of their duties by his fellow workers. It is highly important that discipline be understood in this sense. It is not unilateral act of the superior against the inferior. It is a restoration of the disturbed balance within an organization, and a precaution against future disturbances of the balance.

Disciplinary actions take a variety of forms, and the essence of justice in the invocation of disciplinary measures involves suiting the punishment to the offense and to the employee. The more common forms of disciplinary action are:

1. Oral or written reprimand. This is a warning rather than a punitive procedure, the object of which is less to censure the employee than to get at the root of any difficulty which may lie behind the infraction. A sympathetic interview, rather than an antagonistic imposition of superior will, usually accomplishes the best result at this disciplinary level.
2. Demerits, which affect efficiency ratings and eligibility for salary increases and promotions, are frequently imposed for minor infractions. To be effective, demerits must be cumulative, and should consequently be administered with the greatest caution to avoid unduly jeopardizing the opportunities of an employee who may be primarily overexuberant.
3. Fines, if reasonable in amount, judiciously applied, and rigorously collected, are applicable to many types of disciplinary situations.

4. Suspension without pay is a severe form of disciplinary action because of the stigma attached. Even though generally limited to thirty days, it involves heavy financial loss and seriously diminished prestige. The use of this type of disciplinary action should be undertaken with great caution, since it may create such serious problems for the employee that his efficiency is permanently impaired rather than increased.
5. Demotion is seldom used in progressive governmental jurisdictions, even though fully warranted where the employee is clearly inefficient or incapable of performing his duties. Such action is almost certain to destroy the employee's morale, because it closes the door to further advancement. If demotion can be accompanied by a transfer, however, its deleterious effects can often be mitigated.
6. The most severe form of discipline is, of course, removal from the service. It not only involves immediate loss of position and compensation, but generally constitutes a definite bar to future employment in the Government unless occasioned by temporary physical or mental disability.

In general, the best results with respect to disciplinary actions have been obtained in administrative situations in which responsibility for initiating disciplinary actions rests with the employee's supervisor. It is widely agreed, moreover, that the supervisor must have final authority with respect to the disciplinary action, although these procedures may be made subject to the advisory review of the Ministerial or central personnel agency. The supervisor is usually well advised to seek the advice and assistance of the Ministerial personnel office, and of the central personnel office if the case is sufficiently serious, before instituting disciplinary action, since in many cases medical, psychiatric, and other factors are involved with which the supervisor is not normally equipped to deal.

The obverse of the disciplinary problem is that of employee **grievances**. These usually occur in connection with disciplinary actions, and may be brought to light in the advisory review of disciplinary actions suggested above. On the other hand, the Government ought, as a precautionary measure, to keep the channels of communication with its employees open, in order to avoid the development of critical issues in Government-employee relations. The petition procedure is one of the most effective methods of presenting employee grievances but petitioners must be protected against retaliation by those petitioned against. Employee organizations, where such are consistent with the sovereignty of the State, offer efficient means of communication between the Government and its employees. In any case, certain formal procedures for the presentation of grievances should be established and published. The Government that loses contact with the intimate daily life and problems of its workers runs risks which no Government can afford to incur.

I. Retirement of Public Employees

The conditions prevailing in Bolivia with respect to the retirement of public employees are excellently described in a recent study prepared by the Department of Social Security and Statistics of the Ministry of Labor, Health, and Welfare. This study, entitled "Proposed Bill on Retirement System" comments as follows:

"That the State is subject to the obligation of pensioning its retired employees is a fact which does not pertain to the scope of the discussion. Not only the principle is admitted, but also international practices confirm this principle, differing only in the proposed system to discharge this obligation.

"Thus in some countries, special retirement accounts do not exist and the pension disbursements are made from funds obtained without any participation of the employees, who are relieved from any obligation to contribute to the fund. In other countries, the pension plans provide for participation of the employees in management of the fund, but also without being obligated to contribute.

"Lastly, there are some countries with autonomous retirement of funds, usually managed by the employees, and maintained by contributions from both the State and the employees.

"We could say that the system in existence in Bolivia is similar to the last of the above types, if it were not for the fact that the Bolivian Retirement Funds do not receive regular contributions and because the Funds were created without a proper technical basis or the necessary calculations: that is to say, they were developed empirically. Because of this situation, payments have been issued precipitately to quiet the clamor of impatient employees, rather than planned to lay a foundation for their collective interests in relation to the necessities and eventualities of the future. Therefore, it is not surprising that there will be such differences in the results of administration of these funds that it will be impossible to find common ties between them, except for lack of financial stability and of social benefit.

"For example, with respect to contributions, an examination of the comparative status of the funds convinces us that they were established with a complete disregard of the technical fundamentals of social insurance. It is universally admitted that contributions must be periodic and regular so that a fixed base can be used for actuarial and financial calculations. This fact cannot be set aside in a retirement plan merely because of the current needs of many employees in all branches of the activity covered by the retirement plan.

"It is evident that the age limit in our country cannot be the same as in European countries. The studies of this factor, still only partially complete, demonstrate that the altitude, the existence of depleting epidemics, etc. result in a shorter life expectancy than in other countries, and that the exhaustion of work capacity is much more rapid even though we are unable as yet to indicate precisely what should be the age limit of eligibility for retirement. Nevertheless, this limit must be fixed in accord with facts to safeguard the national interest.

"Another aspect requiring revision of existing legislation is the percentage of salary which is obligated for payment from the retirement funds. Up to the present, some funds provide for pensions equalling 100% of the salary, which is contrary to international practice, because it results in a tremendous financial burden and also because a pensioner can live with less resources than an individual who works, consumes his strength, and cannot select the most economical quarters and markets. But, in this matter, it is necessary to guard against the practices adopted by some European countries, especially in connection with laborer's coverage, where the pension is so small that it does not sustain the pensioner unless he submits to an enormous reduction in his standard of living. This practice is opposed to a just concept because the laborer has worked for many years, giving all of his energy to the nation and to society.

"The only Retirement Fund in Bolivia which still can pay benefits from its own income is the administrative Branch Pension Fund, which was recently established and which has had a considerable increase of membership in the last few years. This Fund, from the technical point of view, has an initial deficit of approximately 100,000,000 bolivianos, caused by the recognition of the members' service prior to the creation of the Fund and which deficit must be covered in the future. It will be absolutely impossible to implement this program unless it is realized that actual contributions now required will not suffice to cover even one-third of the future disbursements.

"Perhaps the reason for this is that the State, through the National Budget, in reality pays and overwhelming majority of the pensions and in the future will have to pay all of them. We estimate roughly that the burden on the National Treasury, after the next seventy years, will be unbearable because all public employees during that time will have died or become eligible for retirement.

"The actual number of public employees is about 24,000. From this group, there is an annual elimination of 1% due to death or disability so that after 20 years 70% of the insured will remain presumably eligible for their retirement benefits. Concerning the contributions of the State to the Fund (during this

period) we can predict that in many cases they will be either deficient or defaulted. Those contributions of the employees, although paid in the amount now established, will be so inadequate that they will not cover the necessary payments which must be met under terms of existing commitments.

"Insofar as loans are concerned, the obligations of the various funds differ greatly, because some provide annuities for disability (Education and Administration), while others provide disability pensions for only ten years (Post Office, Justice, and Telegraph Communications). The differences between funds are even more accentuated in respect to death benefits, which our laws term Montepios, in that one Fund (Administration) does not provide for any, properly speaking, and scarcely acknowledges the death benefit account created by the contribution of 10 bolivianos from each employee, while other Funds allow pensions only in case the pensioner could not have collected his total allotment for ten years and only until such ten year payments have been completed (Justice, Post Office, and Telegraph Communications), and still others, to complete the record, guarantee subsistence allowances (Instruction).

"Other differences are observed in the essential characteristics of retirement policy. For example, the term of eligibility for loan benefits is 5 years in the Instruction Fund, and 15 years in the Administration Fund, without sufficient technical or financial reasons to justify such a difference.

"If we examine the aspect of the social value of death benefits, we shall find that the assignment of fixed sums or quotas is rejected by international practice because of the fact that such allotments do not remedy efficiently the circumstances of those who receive them. In the particular case of the death benefit schedule established by the Administrative Branch Pension Fund, we see that beside being insufficient, it is further defective in providing for retirement contributions on a flat per capita basis. It is pointed out that those employees who earn thousands of bolivianos per year contribute the same as those who receive only a few hundred and also that the number of public employees is increasing and those who reach retirement age will find in the future that the present rate and volume of contributions will not be enough to pay an appreciable percentage of the death benefits and pensions which have accrued. It will be necessary to increase the contributions to make these payments.

"Those who now make limited contributions to the Funds during a period of 4 to 10 years cannot receive, under existing regulations, sufficient return to maintain themselves or their families adequately. This arbitrary limitation is a clear injustice.

"The only particular in which the various retirement laws are alike is the provision of a maximum term of 25 years' service. However, this provision is not complemented with an age limit. This will result in a situation totally unrelated to economic realities by favoring the formation of a luxury class of young, retired public employees, full of energy. We shall have 16,800 pensioners in addition to several thousand recipients of disability coverage and Montepios. Taking as an average retirement payment the sum of 22,500 bolivianos annually, the State will have to spend in this activity alone 378,000,000 bolivianos, not including the corresponding totals for disability and Montepios pensions. We can estimate that after 20 years, the payment of benefits, pensions, and Montepios will cost a total approximating 450,000,000 bolivianos annually; that is, an amount equal to half the National Budget voted this year. This, without taking into account the increase of administrative employees, would result in further increases of costs for contributions.

"It is obvious that this state of affairs could not be countenanced and therefore it is necessary to seek solutions, to fix a system of contribution which would not affect the economy of the country in such a disastrous manner, and to accumulate, from this date, sufficient funds to cover future benefits and pensions, supported by reasonable contributions from the State and its employees."

J. The Machinery of Personnel Management

The effectiveness of personnel management is a problem of vital concern to a Chief Executive who desires to increase the ability of his government to respond to the demands made upon it. The quality of the personnel in the service is a direct reflection of the continuing care and attention that is given to personnel management. No single factor affects more vitally the services of government than the quality of the personnel administering those services.

In a democracy it is essential that the very highest posts be filled by the Chief Executive with persons who support his program and policies, and in whom he has entire confidence. Only in this way is it possible to exercise democratic control over the civil service, to avoid the dangers of bureaucracy, and to translate the mandate of the people at the polls into responsible governmental policies. There must always be a sufficient number of high policy-determining posts at the disposal of the newly-elected President to enable him to control the administrative services. The positions which are actually policy-determining, however, are relatively few in number. They consist, in the main, of the Ministers and their immediate secretaries, the heads of the various offices in the Office of the President, the diplomatic services, and a limited number of other key positions.

Paradoxical as it may seem, the President in meeting his responsibility for personnel management is called upon to extend his control over personnel administration through limiting his discretion and that of his Ministers in dealing with large numbers of particular positions. This reform is needed not only to give the Chief Executive and his Ministers a buffer against political pressure in the performance of as large a part of their administrative task as possible, but also to prevent the enormous wastage of their time and strength that now occurs in dealing with applicants for political appointment and their sponsors. Pressure in connection with political appointments must be materially relieved before the President, in particular, can give adequate attention to his primary job of total management.

From the point of view of the President, the successful performance of the entire range of personnel administrative activities is essential to the efficient conduct of the business of Government for which he is responsible. His existing authority over many aspects of personnel administration, in view of his Constitutional position as Head of the State, is broad in theory, but in practice it comes to little because of the lack of technical assistance in meeting his responsibility. He needs, of course, to clarify his position and to some extent to define his authority, but in the main he needs a well-organized service of personnel administration at all administrative levels, subject to his immediate direction and control.

The work of personnel management and administration varies at different levels of administration, but the work at the Ministerial level, although different from that at the level of highest administrative control, which should be in the Office of the President of the Republic, is in some respects even more important. The Ministries are, or should be, largely self-contained operating agencies, in view of the limited extent to which it is physically possible for the President to review their work. Direct responsibility for many of the most important phases of personnel work should therefore be lodged in the Ministries. From this it follows that major responsibility for the conduct of the entire personnel function must, to some extent, be divided between the central personnel agency in the Office of the President and personnel offices in the several Ministries.

The division of specific activities between the central and Ministerial personnel agencies should be developed with due regard, on the one hand, to the need for central leadership and, on the other, to the disadvantages of excessive executive centralization. The major principles that are applicable to the allocation of specific activities between the Presidential and Ministerial personnel offices appear to be as follows:

1. Power to act should be delegated in accordance with the location in which is centered the most important information upon which action should be based;
2. Power to act should be decentralized to the extent necessary to enable the several Ministries and their dependencies to meet their special needs;
3. Power to act should be decentralized in accordance with the extent to which speed and economy in the performance of tasks are of major importance and will be facilitated by decentralization;
4. Power to act should be centralized in accordance with the extent to which the rigid maintenance of standards is more important than speed and economy in administration;
5. Power to act should be centralized to the extent necessary to prevent wasteful duplication of specific tasks.

In all cases, of course, responsibility for results should go hand in hand with the power to act. The allocation of the power to act is an Executive function which in specific instances must be effectuated through Presidential decree.

The administration of examinations for permanent entrance into the service, and of the series of interim examinations for present employees qualifying for permanent appointment, for example, should probably be allocated in its entirety to the central personnel agency. In most cases duplication of work would otherwise result, and the Presidential personnel agency can obtain as much information upon which to act as the Ministry. Even in the case of those positions confined to a single ministry, the maintenance of standards is of sufficient importance to make it appear desirable that all examinations should be conducted by the examining and licensing section of the central personnel agency.

On the other hand, such activities as the selection of candidates for appointment to particular positions from appropriate groups of certified eligibles and the administration of changes in employee status within a Ministry is of the essence of Ministerial administration. The Ministries, moreover, alone have the information that is necessary for these actions, and should have the discretion essential to the successful performance of their duties. The importance of maintaining standards in such cases is recognized, but there are methods of accomplishing the result that do not involve the complete centralization of the function.

The other fields of personnel management need not be discussed here at length. The administration of the recommended retirement system and the records necessary thereto should be almost completely centralized. The classification of positions and the administration of the compensation plan must be subject to central control if pay standardization throughout the Government is to be achieved, but classification is so intimately related to the planning of organization structure at the Ministerial and sub-Ministerial level, and to the internal administration of the Ministries and their dependencies, that the Ministerial personnel offices should be initially and immediately responsible for the administration of personnel classification. Other major fields of personnel management, such as the supervision of working conditions to promote health, safety and efficiency, the development of improved employee-supervisor relationships, administration of discipline, and similar activities should be lodged primarily in the Ministerial personnel offices with coordination, stimulation and technical advice and assistance coming from the central personnel agency. At the beginning, the administration of the formal training program should be the primary responsibility of the central personnel office, but it will doubtless be found advisable to decentralize a substantial part of the training program as Ministerial personnel offices develop adequate staffs and resources. The informal part of the training program, such as is contemplated to be carried on through teaching in the supervisory process, is by definition a Ministerial and sub-Ministerial function, and must be a responsibility of the Ministerial personnel offices from the beginning.

In general, a moderately flexible arrangement should be contemplated, under which the allocation of activities between the central personnel agency and the Ministerial personnel offices would be made the subject of continuing and informed discussion among professionally competent personnel and administrative officials, eventuating in recommendations to and final decisions by the President of the Republic.

Under such an arrangement the central personnel agency would be directly responsible for recruitment, examination and licensing, for the supervision and control of position classification, for retirement administration, for administration of the formal training program and for stimulating and coordinating the informal training program at the Ministerial level, for handling transfers of personnel among the several Ministries, and for stimulating and giving technical assistance to employee health and welfare programs at the Ministerial level.

Much more emphasis should be given, however, to the fact that as a management arm of the President it will serve primarily as the agency for the initiation, reception, and consideration of new plans and policies; for the development of improved personnel methods and procedures; for constant study of the personnel programs of the Ministries, and for constructive comment upon these programs; for assistance to the Ministries wherever feasible; and for the coordination of personnel policies on all fronts.

We suggest, therefore, the establishment of a National Office of Personnel in the Office of the President, and the concurrent installation in each Ministry of a Ministry Personnel Office, these agencies to exercise the functions set forth in the proposed law creating the National Office of Personnel under the general direction of the President of the Republic.

The National Office of Personnel should be under the immediate control of a Director, appointed by the President. He should be, primarily, one in whom the President has complete confidence, and should have a comprehensive acquaintance with the personnel and administrative problems of the Bolivian National Government. He should, moreover, be one whose appointment will vindicate the intention of the Government to conduct the management of its personnel affairs on the basis of demonstrated merit and proved efficiency.

To assist the Director, and to exercise direct supervision over the technical work of the National Office of Personnel, a Permanent Secretary should be appointed. This employee should be chosen by competitive examination and should be a member of the permanent career service of the Government; his qualifications should be primarily technical. He should be a professionally trained and qualified expert in personnel management. It would undoubtedly be necessary to select a generally qualified person for this position and to send him abroad, to Brazil and probably to the United States, for further professional training in personnel management.

The National Office of Personnel should be staffed by permanent, professional specialists in personnel management of the highest quality obtainable. High moral quality, of a type that will guarantee the integrity of its examining, certification work, and classification operations is absolutely essential. To obtain employees of this type, the Government must be prepared not only to pay adequate salaries, but also must be willing to pay the costs of giving training to generally qualified Bolivians in the personnel agencies of one or more of the sister republics, where personnel management has been highly developed.

Like the National Office of Budget and Efficiency and the Office of National Resources Planning, the National Office of Personnel should be authorized by law to draw into its operations, on either a long-term or short-term basis, especially qualified people from other agencies of the Government, and men from industry, commerce and the professions for special consultative and advisory assignments. Adequately elastic budgetary provisions should be made to facilitate such transfers and the retention of such special consultants.

We recommend that the National Office of Personnel be organized as follows:

Classification Section. This section should be charged with the development, in cooperation with the several Ministries and their dependencies, of the original position classification and salary standardization plan, and should review all subsequent changes in status under such plan, as well as changes in the plan itself. It should be responsible for making administrative studies and recommendations to the Permanent Secretary and the Director regarding the operation of the recommended relation of salary scales to cost-of-living indices, and generally to exercise supervision over the position classification and salary standardization operations of the Government.

Examination Section. This section should be responsible for the development, administration, and rating of all examinations and certification of all eligibles for appointment to the service of the Government. It should also administer promotional examinations and supervise the operation of the recommended service rating plan.

Training Section. This section should be responsible for the administration of the formal training program, for conducting the College of Administration which should offer both to Government employees and those preparing for Government service a comprehensive program of instruction in public administration and management, as well as the more common vocational skills required in the Government service. It should also assist the technical, vocational and professional schools in the orientation of their programs to the needs of the Government service, and should cooperate closely with the Ministry of Education in securing proper training in the public school system for those types of public employees who are drawn directly from the public schools. It should also stimulate, supervise and give technical and expert assistance to training programs at the Ministerial level.

Health and Welfare Section. This section should be charged with responsibility for general supervision of conditions of labor relating to employee health and welfare, vacations, leaves, etc., and should be staffed to supply necessary medical, psychiatric and other services to Ministerial personnel offices in connection with employee health and welfare programs, disciplinary operations, etc.

Retirement Section. This section should be responsible for the administration of the recommended retirement system, and also for the financial affairs of such other programs of low-cost medical care and other insurance systems as shall be officially established for Government employees.

Section of Personnel for the Ministries. This section should be composed of a small group of technical experts in general personnel management and administration, whose function would be to advise and assist the various Personnel Offices of the Ministries in the organization and administration of their programs. It would be responsible for general supervision of the payroll and personnel records maintained at the Ministerial level, and for the periodic reconciliation of these records with the control records maintained by the National Office of Personnel. It should not be an inspectional or auditing agency, but a technical advisory service on the administrative aspects of personnel management.

The President and the National Office of Personnel should be assisted by a National Council of Personnel, composed of seven members appointed by the President to serve at his pleasure. The personnel of the Council should bring together insight, experience and judgment in the problems of large scale personnel management, and integrity in the support of the merit principle in public affairs. Its functions should include: 1) the representation of the public interest in the improvement of personnel administration in the public service; 2) the counselling of the President and the Director on problems of personnel policy; 3) the assisting of the Director in fostering the interest of institutions of learning, civic, professional and employee organizations in the improvement of personnel standards in the public service and the improvement of education and training for the public service; 4) the investigation of any phase of personnel administration which, in its judgment, appears to be at variance with the merit principle, and to make recommendations to the Director and the President with respect thereto; 5) the presentation of annual and such special reports as

it considers desirable to the President regarding personnel administration in the National Government and recommendations for its improvement.

The National Council of Personnel should be an advisory and recommending body, and the "watchdog" of the merit principle. It should have no administrative duties or responsibilities, and should not participate in actual decisions of the National Office of Personnel, whose operations it may subsequently be called upon to criticize. It cannot, of course, function in the line of command.

Our recommendations with respect to personnel management in the National Government are as follows:

1. That the merit principle of public employment be embraced by the establishment of a career service with permanency of tenure for all civil administrative employees except those occupying policy-determining posts.
2. That admission to the career service be by means of competitive examination.
3. That all positions in the civil administrative services that are not policy-determining be classified and standard compensation plans be established therefor;
4. That a comprehensive program of training for Government employees and persons preparing themselves for Government employment be undertaken by the Government;
5. That comprehensive programs of employee health and welfare be put under way;
6. That conditions of service, including hours, leaves, holidays, discipline, etc., be definitely formulated and standardized for the Government service;
7. That an actuarially sound retirement system covering all civil administrative employees be established;
8. That for the administration of these programs a National Office of Personnel be created in the Office of the President, and Ministerial Personnel Office be established in each Ministry of the Government, the duties and responsibilities of which should be defined by Presidential decree;
9. That the National Office of Personnel be organized in the following sections:
 - a. Executive
 - b. Classification
 - c. Examination and Recruitment
 - d. Training
 - e. Health and Welfare
 - f. Retirement
 - g. Personnel of the Ministries
10. That a National Council of Personnel, composed of seven members, be appointed by the President to serve at his pleasure, the functions of which should be to advise and assist the President and the Director of the National Office of Personnel in the development of personnel policies and programs, and to serve as the "watchdog" of the merit system.

CHAPTER II

FINANCIAL CONTROL AND ACCOUNTABILITY IN
THE NATIONAL GOVERNMENT IN BOLIVIA

A. Introduction

Responsible financial management in a democracy implies two types of control: first, the Executive Power must itself accept the responsibility for financial planning, for the current direction of spending, and for the exercise of current budgetary control over the administrative services conducted under its supervision.

Second, the Congress has the right and obligation, in behalf of the people of Bolivia, to demand and to receive from the President and his Ministers full accountability for financial acts undertaken on the authority of the Executive Power.

Existing financial organization and procedures in the Bolivian National Government provide neither of these basic requisites to responsible financial management in a democracy. In the subsequent pages of this report suggestions for the attainment of responsible financial management will be put forward, and the argument for their adoption fully examined.

B. Budgeting and Administrative Control

The process of budgetary planning lies at the very roots of financial management. Budgetary administration, moreover, is the only effective means which has yet been developed for supervising the administration of the public services, for weighing and evaluating the importance of the expenditure program of the Government, and for ascertaining the current monetary requirements of the public services throughout the fiscal year. No well-managed enterprise, governmental or private, can dare to be lax in applying the process of financial planning.

From the procedural standpoint budgetary planning involves five major steps: 1) the definite formulation of Executive proposals of accomplishment in the public services; 2) the survey of available facilities for the attainment of those objectives, and the modification or establishment of organization and facilities to correspond to the requirements of the work program; 3) the translation of such organization and facilities into terms of personnel, equipment, and supplies; 4) the presentation of the work program so analyzed translated into terms of money; 5) the review, modification, and eventual adoption of the program by the Congress.

The adoption in 1928 of the Organic Law of the Budget was a major step in the direction of effective administrative management of the Government of Bolivia. It placed upon the President responsibility for the preparation of a comprehensive annual budget and recognized the need for executive discretion and leadership in preparing and submitting to the Congress a program of revenue and expenditure. At the same time it potentially provided the President with one of the primary instruments needed for effective over-all management of the executive establishment.

It is the purpose of the budget system to provide in financial terms for planning, information, and control. Through the budget the spending agencies should be required to translate their work-programs in advance into fiscal terms, so that each activity may be brought into balance

and proportion with all other activities, and with the revenues and resources of the Government, and in harmony with long-range and general economic policies. The budget should not only serve as the basis of information for the Congress and the public with regard to the past work and future plans of the Executive Power, but also as a means of control of the general policy of the Government by the Legislative Power and of the details of administration by the Executive Power. The Organic Law of the Budget of 1928 was thoroughly sound, therefore, in placing squarely upon the President the responsibility for the formulation of a complete report on past activities of the administrative services and the regular submission to the Congress of a future program for advance approval by the Legislative Power.

In certain other aspects, however, the Organic Law of the Budget of 1928 was not only of decidedly limited effectiveness as a statutory basis for fiscal management, but was at many points fundamentally inconsistent with its own central thesis of Presidential responsibility for the budgetary process. In the first place, although the budget was to be formulated and submitted to the Congress on the responsibility of the President of the Republic, the actual duty of extending the detail of the budget was lodged in the Comptroller, an agent of the Legislative Power over whom the President properly should exercise no control. Second, this budget, the details of which were to be formulated by an official expressly removed from Presidential control, was, moreover, to be resubmitted to the Council of Ministers, of which the President is the presiding officer, for its consideration, but the Executive Power was prohibited from increasing items or introducing new items. It could only decrease items or eliminate items. Third, the responsibility for the administration of the budget through the allocation of funds for monthly or quarterly periods was placed not on the President, where it belonged, but upon the Minister of Finance, who was thus given important discretionary financial powers over his co-equals in the Council. Fourth, since the accounting system of the Government was, by collateral legislation adopted at the same time, placed under the administration of an official outside the orbit of the Executive Power, the President was denied effective control over an essential instrumentality of fiscal management and budgetary administration. Fifth, the Organic Law of the Budget of 1928 failed to establish the close connection between responsibility for the budgetary process and responsibility for making a continuous study of the organization, operation and efficiency of the various Ministries and their dependent organization units. The agency which controls the budgetary process is in an especially strategic position to detect weaknesses in the organization and functioning of the various Ministries and their dependencies, and is the appropriate agency continuously to investigate administrative problems and to make recommendations to the President, to the Council of Ministers, and to the Ministers severally in the interest of economy and efficiency.

These deficiencies in the Organic Law of the Budget of 1928 are cited not in derogation of the work of the Kemmerer Mission, or of the Congress which adopted the recommendations of the Mission. The Law of 1928 was a decided improvement over its antecedent, the Organic Law of the Budget of 1913, and previous budgetary legislation. It represented the best thought on budgetary procedure of fourteen years ago, which conceived of budgeting as an essentially negative function, by which public expenditures were to be constricted and held down to the minimum possible amounts. By the same token, the Organic Law of the Budget of 1928 is wholly inadequate to the modern conception of the budgetary process as a vital instrument of fiscal management and administrative control.

The development of the budgetary process in Bolivia has reflected closely both the clarities and the inconsistencies of its organic law. In fairness to its administrators, it must be admitted that substantial

progress has been achieved, especially since the creation of the Bureau of the Budget in 1930. In the past twelve years a spotlight has played with passable continuity on national fiscal problems. The President has been placed in a somewhat better position to plan and, indirectly, to control the fiscal program, for which he is held responsible in the public mind. It has been possible to scrutinize the needs of the several Ministries in some detail, and the Ministries have themselves been assisted in improving their budgetary practices to a limited degree; the Congress has been presented with a more intelligible picture of the Nation's finances and financial problems, although the failure of the annual budget document to exhibit comparative appropriation and expenditure data in conformity with Article 33 of the Organic Law of the Budget of 1928 is a serious detriment to intelligent Congressional review; however, this is primarily the fault of the Comptroller's Office, which is unable to produce expenditure data for the prior fiscal year in time for its use in budget making. Substantial advances in improving governmental operation and in coordinating activities have been effected through the agency of the Bureau of the Budget. Its staff has aided the President in the performance of many difficult administrative duties. The technical phases of budget making have been constantly improved and refined, and the Bureau of the Budget is keenly conscious of further improvements which must be made in the technical aspects of budgetary planning and administration.

At no time, however, has the Bureau of the Budget achieved or even approximated its maximum possible usefulness and effectiveness as an instrument of administrative management. Due to its back-handed and indirect relation to the President, the Bureau of the Budget has not participated in budgetary formulation in the degree which even its present resources merit. Its inclusion as a unit of the Comptroller's Office from 1930 to 1939 improperly emphasized the exclusively accounting aspects of the budgetary process and isolated it from administrative planning and management, and while its transfer from the Comptroller's Office to the Ministry of Finance in 1939 was a step in the right direction, it was a step of shorter length than it should have been. The Bureau of the Budget belongs in the immediate entourage of the President of the Republic; to separate it from the Presidency by even one intermediate level of authority is immeasurably to limit its effectiveness as a tool of administrative management.

The Bureau of the Budget, moreover, has not been given even the minimum resources in personnel and financial aid to perform its present, overly-limited functions. One obtains a vivid realization of the inadequate staff of the Bureau of the Budget from the fact that its appropriation for salaries for the current fiscal year (1942) amounts to only Bs. 276,000, which is about half the budget for salaries placed at the disposal of a single agency, the Ministry of Communications, for accounting control of the postal, telegraph and radio systems, and is about 4 per cent of the amount allowed the Comptroller's Office for salaries. It has a total personnel of only 9, and only the position of Director pays more than Bs 3200 per month. Yet this small staff is charged with preparing a budget which is approaching very close to Bs 1,000,000,000, and with aiding the President in the exercise of his vast responsibility for the over-all management of the very large and intricate National administrative mechanism.

If the Bureau of the Budget is to be developed into a serviceable tool for administrative management to aid the Executive Power in the exercise of over-all control, it needs greater resources and better techniques. If a continuing effort is to be made to improve and strengthen the administrative machinery of the National Government, the President and his Ministers will need adequate information, based on analyses of the highest competence, as a guide to action. The Bureau of the Budget is the logical general staff agency for the performance of this service. It should be given appropriations and personnel commensurate

with the magnitude of the assignment. A relatively small sum invested in strengthening the Bureau of the Budget as a staff agency of the Presidency will yield enormous returns in the increased efficiency of Governmental operations. It is with this in mind that recommendations regarding the Bureau of the Budget are presented.

The Director General of the Budget is one of the few Government officers to advise the President and his Ministers from an over-all, as contrasted with a Ministerial, divisional or sectional, point of view. He should, therefore, be relieved to the greatest possible extent from the minor details of administration. He should be released for duties of maximum importance to the President and Ministers, and freed so that he may participate in important conferences of Ministers and planning groups, where programs are being considered that may eventually result in appropriation requests or changes in governmental organization and procedure. In accordance with suggestions made elsewhere in this report, the salary of the Director should be increased. It should be possible for the President to select a Director from the permanent career service, which is also proposed elsewhere in this report, although he should have the right, of course, to appoint a man of his own choosing outside the career service if he deems such a procedure advisable.

The position of first assistant to the Director of the Budget should be designated as Permanent Secretary and should correspond to that of Chief Permanent Officer in the several Ministries, which is discussed in collateral reports on the organization of the Ministries now in preparation. It should be filled in accordance with the principles and regulations of the career service, preferably by promotion from lower positions in the career service. It should be a high permanent post to which career men should be encouraged to aspire. Continuity in office is essential if the Permanent Secretary is to have the necessary background from which to advise a new Director concerning the techniques of budget making and the intricacies of Government machinery and if he is to be skilled in the execution of policies and programs. Breadth of experience, depth of knowledge, and broad vision are needed in this office; these can be obtained only through extensive training and long experience in the Government itself. The Permanent Secretary should maintain the ordinary contacts with the administrative and budget officers of the Ministries, as well as with other over-all management agencies, such as the personnel agency proposed in a separate report. He should direct the activities of the several sections of the proposed National Office of Budget and Efficiency and in every possible way should assume responsibilities that would leave the Director free to concern himself with matters of major policy and program.

If the National Office of Budget and Efficiency is to perform effectively its functions of fiscal and over-all management it must be staffed with an adequate personnel, adequately compensated, enjoying the prestige and security of permanent tenure and retirement in the event of disability or superannuation.

The Director should have the authority to appoint assistants from inside or outside the career service for special limited assignments, and to retain consultants from business and the professions on a temporary basis for investigations or conferences in technical fields.

The authority to transfer or detail personnel from other Government agencies is of particular importance to the National Office of Budget and Efficiency, and this should be clearly allowed by law. For long-term periods the National Office of Budget and Efficiency should reimburse the ministries from which such personnel are borrowed. In turn, the National Office of Budget and Efficiency should be permitted to accept reimbursement from Government agencies when it undertakes studies of organization and procedure at their request which involve unusual or additional expenditures.

The preparation and execution of the Budget are essentially functions of the Executive Power. The National Office of Budget and Efficiency as a managerial agency of the Presidency, should therefore be made responsible for the execution, as well as the formulation, of the budget as a national fiscal plan. The task of scrutinizing and passing upon estimates, and of controlling expenditures in pursuance of the appropriations based upon these estimates, should be assigned to a special division or section of the National Office of Budget and Efficiency. The highly important task of budgeting requires a staff of unusual competence, breadth of vision, keen insight into governmental problems, and long acquaintance with the work of the Government. Only a staff having these qualifications can be of assistance to the President, to the Ministers, and to the Congress in the preparation and consideration of a budget. Well-considered and informed central direction of budgeting is essential; arbitrary, uninformed, and indiscriminating decisions must be avoided.

The staff in charge of budget estimates must keep in constant touch with the entire administrative machine for the purpose of developing and executing both short-term and long-term fiscal plans. The staff, moreover, should be sufficiently numerous to permit the specialization which is essential to expert, effective review of the budgetary proposals and needs of the several Ministries. It is probable that each Ministry should have assigned to it at least one budget examiner, while some of the larger Ministries, whose activities are widespread and complex, such as Education and National Defense, may require a chief examiner and one or more assistants. The National Office of Budget and Efficiency must, if it is to fulfill its proper function as a management agency, be staffed with budget examiners in sufficient number and of sufficiently high quality to deal with the Ministries and their dependencies on a completely equal footing as to the accuracy and adequacy of its information. Next to the Minister himself and the Chief Officer of the Ministry, the staff of the National Office of Budget and Efficiency assigned to a Ministry should be more familiar with the program, administration and problems of the Ministry than any other official or group of officials.

It is highly important, moreover, that Presidential control over the execution of the budget be established, through the institution of monthly or quarterly allotments, as contemplated by Article 24 of the Organic Law of the Budget of 1928, on the authority of the President of the Republic acting through the Director of the Budget. This system of allotments depends, for substantial effectiveness, upon the establishment of a system of encumbrances in the expenditure accounts of the general accounting system, which will be discussed in a subsequent part of this report, and which in turn depends upon the mechanization and complete revamping of the accounting system and accounting procedures to produce effective administrative accounting control.

The deficiency of the Organic Law of the Budget of 1928 in failing to establish the responsibility for the continuous study of the organization, operation and efficiency of the various Ministries and their dependencies as that of the Bureau of the Budget has already been mentioned. The President needs a research agency to investigate the broad problems involved in the administrative management of the Government -- problems of administrative organization, finance, coordination, procedures and methods of work, and the many technical aspects of management. The function of investigation and research into administrative problems should be developed as an aid to over-all executive management.

Economy and efficiency in government require constant investigation and reorganization of the administrative structure. It is a mistake to assume that the Government can be reorganized once and for all. Continuous study of the administrative organization of the large National machine is necessary; new activities are constantly emerging and old activities are constantly changing, increasing, decreasing or disappearing. Unless there is a special agency equipped to investigate problems of

organization, new activities are set up without careful attention to where they should be located and what kind of organization is required. This results in costly mistakes and confusion. On the other hand, when the need for certain governmental activities declines or disappears, unless there is a special agency constantly studying organizational requirements and in a position to press for economy, adjustments are made late or not at all. The several Ministries of the Bolivian National Government are carrying a number of sections the need for whose operations has long since passed; they have not been abolished because it is nobody's business to see that they are abolished when their use has been served.

A section of efficiency in the Bureau of the Budget is the logical place to develop these functions, which should be authorized by amendment of the Organic Law of the Budget at the earliest possible date. Above all, persons engaged in the work of the division of efficiency should be freed from detailed routine duties involved in handling budget estimates; if they are permitted to be used in the routine work of estimates review there will soon be no administrative research accomplished, because there is always enough routine work in a budget office to consume the time of all personnel which is available for such duties.

The efficiency research activities should be concentrated in a separate division of the Bureau of the Budget, and the Bureau of the Budget should be given a new title to indicate the enlargement of its scope of operations, such as "National Office of Budget and Efficiency." The division of efficiency should be headed by a permanent chief possessing in unusual degree imagination, vision, creativeness and analytical insight, as well as intimate acquaintanceship with both the practices of government and the principles of public administration. The efficiency division must be staffed with persons of unusually high competence. Important research assignments upon administrative problems can be carried out successfully only by highly trained and experienced persons familiar with the organization and with techniques of public administration. Flexible staff arrangements are important to permit the use of specialists drawn from the Government and from industry and business for temporary periods.

In addition to researches designed to reduce costs and improve the efficiency of government, the efficiency division should also be charged with cooperating and assisting in the development and implementation of long-term fiscal and administrative programs which are approved in consequence of the researches and recommendations of the Office of National Resources Planning, the establishment of which is the subject of a separate memorandum. The long-term development of the national resources of Bolivia requires coordinate and consistently executed programs on the part of many agencies of the National government, as well as of financial institutions, development corporations, and other semi-public agencies. While the proposed National Office of Budget and Efficiency cannot logically be charged with the planning of national resources development, it must be intimately concerned in the carrying out of the plans that are developed, and should, through its efficiency section, be thoroughly familiar with such plans from their inception.

A fourth highly important function which should be assigned to the National Office of Budget and Efficiency, as the work of a separate section thereof, is that of coordinating and integrating all the legal work in the Executive Branch of the Government. To this end, a highly competent legal staff should be provided, which would review and advise the President and his Ministers with respect to decree laws and executive orders issued by the President, ministerial regulations issued by the several Ministries, and proposed legislation originating in the Ministries and their dependencies. Some of this work is now being carried on by the Legal Section of the Ministry of Finance; it should be greatly expanded and transferred to the National Office of Budget and Efficiency in the Office of the President, where its full effectiveness as an instrument of administrative management may be realized. It is not assumed, of course, that the Min-

istries can operate without their own legal assistance, and the function of the proposed office in the National Office of Budget and Efficiency is one of coordination and integration, not of replacement.

Decree laws and Presidential orders have been used since the early days of the Republic; and, with the great increase in size and complexity of the governmental machine, have been utilized to an ever-increasing extent. They are particularly necessary in periods of economic emergency and international unrest, such as the present, when there is necessarily rapid change in governmental policies and organization. Executive direction and control of national administration would be impossible without the use of these devices. The use of decree laws and Presidential orders should, moreover, be extended to establish uniform codes regulating general management procedures and methods throughout the government. These codes might well cover such matters as budgetary and other financial practices and controls, personnel, supplies, coordination and definition of jurisdiction, etc., and other matters related to general organization and management, many of which have already been the subject of occasional and sporadic treatment by decree laws, but upon none of which are comprehensive, integral management codes in existence.

Ministerial regulations governing internal organization and management should also be cleared with, but not necessarily subject to positive approval by, the National Office of Budget and Efficiency. The major purpose to be served by such clearance would be to give the various Ministries such assistance as the experts of the National Office of Budget and Efficiency might be able to render, and also to enable it to inform the President upon any matters which should be brought to his attention. This clearance would result in the establishment of a greater degree of uniformity in such management practices in the several Ministries as uniformity is desirable. It would provide a desirable pooling of the experience of the several Ministries in many management activities. The National Office of Budget and Efficiency should be equipped to assist the Ministries, at their request, in preparing regulations relating to their internal management.

In addition to his position as the head of the Executive Power, the President is charged by the Constitution with important legislative duties, including the duty to "Coordinate the formation of laws by means of special messages or parliamentary presentation by the Ministry concerned." Though the final authority for all legislative acts rests with the Congress, it is clearly the duty of the Executive Power to supply the Congress with information and advice concerning the laws which it administers.

Inasmuch as a large part of all legislation is concerned with the structure and functioning of Ministries and their dependencies, and the creation and modification of administrative powers, the Congress is entitled, in the consideration of such legislation, to have from the Ministries and their dependencies the benefit of their experience and special knowledge. Indeed, Article 81 of the Constitution specifically empowers either house of the Congress to call before it any Minister for the purpose of hearing a report upon such matters as it may prescribe, which is about as far as a formal legal prescription can go in assuring the Congress of the benefits of Executive experience. The obligation of the Executive Power to the Legislative Power, however, goes much deeper.

All legislation recommended by the Executive Power should be carefully considered before presentation to the Congress. The administrative, financial, legal, international and other effects and implications of all such proposals should be thoroughly examined and the proposed legislation should be carefully drafted. Conflicts and differences between Ministries concerning proposed legislation, whether of major policies or of details, should, so far as possible, be adjusted before such bills are presented to the Congress. Though the ultimate decision in all such conflicts rests with the Congress, its work is hindered by differences between Ministries. These

ordinarily should be adjusted within the Council of Ministers in accordance with the constitutional concept of a unified, and not a divided, Executive Power. The technical problems of effecting such reconciliations and attaining such unity are clearly the responsibility of the National Office of Budget and Efficiency, acting as a management agency of the Presidency.

Our recommendations regarding budgeting and administrative control may be summarized as follows:

1. The Bureau of the Budget should be transferred from the Ministry of Finance and made an integral part of the Presidency of the Republic.
2. The execution, as well as the preparation, of the budget, should be supervised by the National Office of Budget and Efficiency, and should be closely correlated with fiscal programs and plans.
3. The Director General of the Budget should be relieved from routine duties and thus enabled to devote himself to problems of fiscal policy and planning. Provision should be made for an adequate permanent staff of the highest competence, the permanent staff to include the Permanent Secretary and all subordinate positions in the organization, supplemented by special assistants on assignment from the several Ministries and their dependencies, and by temporary consultants from business, industry and the professions for special assignments.
4. The administrative research and efficiency function which logically belongs to the Bureau of the Budget should be developed to aid the President as head of the Executive Power. The National Office of Budget and Efficiency should carry on constructive studies of public administration for the constant improvement of Government organization and procedure, and should stimulate continuing interest in efficiency and economy in the various Ministries and their dependencies. To indicate its expanded duties, the name of the agency should be changed to "National Office of Budget and Efficiency."
5. The National Office of Budget and Efficiency should also serve as a central agency for coordinating and integrating all the legal work in the Executive Branch of the Government, including advisory opinions of Ministerial legal officers, decree laws and presidential orders emanating from the presidency, ministerial regulations issued by the several Ministries, and proposed legislation to be submitted to the Congress in behalf of the Executive Power.

C. Direction and Control of Accounting and Expenditures

The purpose of governmental accounting is to provide for the recording of financial information so that it can be utilized: 1) as a basis for managing the affairs of the Government, 2) in determining the fidelity of persons administering public funds, and 3) as a means of informing interested parties of the Government's financial condition and operations.

Public officials who attempt to render conscientious service must rely heavily upon financial information. If the President is to plan future operations intelligently, he must have facts concerning past financial operations. A budget in the formulation of which past revenues and expenditures are not used, at least as a partial guide, is not likely to prove an administerable

financial plan. Moreover, the chief executive must know at all times whether the financial plan as established in the budget and appropriations made by the Congress in pursuance thereof, and in the monthly or quarterly allotments made on his authority in the process of budgetary administration, is being carried out. The only source of authoritative information on this point is from financial reports prepared from the accounting records of the Government.

Ministers likewise need information regarding the financial operations of the Government generally and of their Ministries in particular as a basis upon which to formulate future plans, as well as for carrying out their duties efficiently during the current year. For example, in requesting appropriations, Ministers must have financial information on which to base their estimates. During the current fiscal year they must have financial information to be certain that they are not overexpending appropriations or allotments, or that the development of their programs will not involve the establishment of obligated rates of expenditure which will result in the overdrawing of appropriations or allotments. In case a Ministry or one of its dependencies is charged with the collection of revenue, the Minister or the director must see that the full amount of revenue is collected and that the Ministry or section is properly credited. This requires accounting information.

The Congress and the public want, and are entitled, to know whether the financial operations of the Government have been carried out in accordance with legal provisions, whether public funds have been honestly administered, and whether as great economy was exercised in the expenditure of such funds as was consistent with the standard of service demanded. The accounting system must provide for the collection, classification, recording and analysis of the data so that these facts can be readily and promptly determined.

The present accounting system of Bolivia is badly scattered and presents an incongruous picture of outworn methods and procedures hopelessly inundated by the rapidly increasing volume of transactions of a fast-developing Republic. Essential parts of the system are now found in the Ministry of Finance, scattered among no less than four separate divisions of the Ministry, in the Office of the Comptroller General of the Republic, and in the various Ministries and their dependencies.

Although the 1928 Law of the Comptroller's Office had as one of its main objects the improvement of the Government's accounting system, very little of real and lasting value has as yet been accomplished. Article 11, Section 2 of this Act vests the Comptroller General with authority to prescribe a system of administrative appropriation and fund accounting, recording and reporting, but in the fourteen years which have elapsed since the Comptroller's Office was established no really comprehensive and adequate system of general accounts, suitable for administrative control and budgetary planning, has yet been developed. Moreover, financial reporting from the various accounts is far from being systematized, and is often delayed beyond the point of any practical administrative value. The General Statement of National Finances for 1940, a very brief and wholly inadequate financial statement, was not available until after the opening of Congress in August 1941, seven months after the end of the fiscal period upon which it reported. Coming at such a late date it was, of course, wholly useless to the President in formulating his fiscal plans and budget policies.

The authority which the Comptroller's Office has exercised over accounting procedures has, in many cases, undoubtedly improved business practices in the several Ministries, but these procedures have continually stressed the bringing of accounting information into the Comptroller's Office, with little consideration for the informational needs of the President in exercising his functions of over-all fiscal management. The net result, therefore, has been to deprive the Executive Power of adequate accounting machinery, or even authority to develop this important instrument of financial direction. Because of this lack of interest in administration little effort has been made to develop, for example, unit or cost accounts in the several activities of the Government where such procedures are relevant and highly informative to the Executive Power. Whether the Congress intended the 1928 Law of the Comptroller's Office to operate in this manner is beside the point, but it is evident that the practical effect of law has been wholly inconsistent with efficient administration.

The time is ripe a return to the basic notion that served as the groundwork for the original accounting system of the Government. There should now be installed in the Ministry of Finance a modern, mechanized system of general accounting and reporting that would produce accurate information quickly and easily concerning expenditure obligations, appropriation and allotment balances, revenue estimates and accruals, and actual collections, as well as each disbursements and receipts. Accounting methods should be standardized throughout the governmental agencies. There should, moreover, be a complete revamping of the accounting procedure which would enable the Ministry of Finance to secure reliable information at a moment's notice on the status of all revenues and expenditures of the Government. There is abundant evidence that these improvements are greatly needed and that they can now be properly made.

The 1928 Law of the Comptroller's Office was in considerable measure an uncritical adoption for Bolivia of certain parts of the Budget and Accounting Act of 1921, enacted by the Congress of the United States of North America. As such, it repeated many of the confusions inherent in its earlier prototype. Some of the confusions in the North American legislation, it may be noted parenthetically, have been eliminated in the Reorganization Orders issued by President Roosevelt.

This importance of the accounting system as a means of current expenditure control has already been emphasized. This function — the current control of spending — is often confused with the function of audit. Current control involves final decision as to proposed expenditures and the availability of funds. An audit is an examination and verification of the accounts after transactions have been completed in order to discover and report to the Legislative Power any unauthorized, illegal or irregular expenditures, any financial practices that are unsound, and whether the Executive Power has faithfully discharged its responsibility with respect to financial management.

A true audit can be conducted only by officers other than those originally charged with the making of decisions upon expenditures. No public officer should be authorized to audit his own accounts or to pass upon his own financial acts and decisions. The maximum safeguard is provided when the auditor is entirely independent of the Executive Power and exercises no executive authority. The control of expenditures is essentially a function of the Executive Power, whereas the audit of such expenditures should be independent of executive authority or direction.

The 1928 Law of the Comptroller's Office confused these functions completely. It established the Comptroller, in the words of the Kemmerer Mission, "as the principal official of the Republic in matters of accounting and (he) will be directly responsible to the Congress for fiscal control as well as a representative of the President in the formulation of the annual budgets . . . The Comptroller General will be more than a mere reporter who can inform the Congress of the results of his audits. It is necessary that he be a vital and active force in the administrative work of the Government, but independent of the same in the Accounting and Fiscal Control functions." With a surprising lack of consistency, the Kemmerer Mission continues, "The President, as the Chief Executive, is responsible under the Constitution for the proper administration of public affairs, and therefore must have a voice in the selection of the person who will occupy the position of Comptroller General."

The net result of this startling deduction of the Kemmerer Mission is that the Comptroller becomes both a Comptroller and an auditor. As an auditor, the Comptroller properly performs his functions without the direction of any officer of the Chief Executive; but as a Comptroller, exercising the executive authority to determine the uses of appropriations, to settle accounts and claims, and to prescribe administrative accounting systems — functions which are universally recognized to be essentially executive in character — he is improperly removed from any direction by and responsibility to the Chief Executive. Meanwhile, if the President is deprived of his authority to control the current expenditures of the Government, can there be any substance to his "responsibility under the Constitution for the proper administration of public affairs?" In the administration of the affairs of government, as in all other matters, authority and responsibility must go hand-in-hand.

The Comptroller General, moreover, as a Comptroller, determines in advance the legality of expenditures and issues rules and regulations which govern the administrative procedures and practices of the various Ministries and their dependencies; later, as an auditor, he reviews and audits the operations undertaken under his own previous decisions. The more the Comptroller General exercises control over expenditures through advance decisions, approval of contracts, preaudits and otherwise, the less qualified he becomes to audit them. This system results in divided authority and responsibility for the proper expenditure of public funds and the accounting therefor; it deprives the President of essential power to discharge his major executive responsibility. Equally important it deprives the Congress of a truly independent audit and review of the fiscal affairs of the Government by an official who has no voice in and is uninfluenced by prior administrative decisions. Such an audit is of the very essence of the accountability of the Executive Power to the Legislative Power, and is hence fundamental to truly democratic government.

The removal from the Executive Power of the final authority to determine the uses of appropriations, conditions of employment, the letting of contracts, and the control over administrative decisions, as well as the prescribing of accounting procedures and the vesting of such authority in an officer independent of direct responsibility to the President for his acts, is clearly in violation of Article 3 of the Constitution, which reads as follows: "Sovereignty resides in the people; (it) is inalienable and may not be confiscated; the exercise of it is delegated to the Legislative, Executive, and Judicial Powers. The independence and coordination of these powers is the basis of Government." It is also contrary to Article 93 of the Constitution, which provides: "The prerogatives of the President of the Republic are: 1. To execute and to enforce the laws, issuance of orders and decrees, without infringing upon private rights nor altering the definitions of law nor contravening the intent of the law, and guarding the restrictions imposed in this Constitution."

The settlement of accounts and the supervision of administrative accounting systems are integral parts of the task of "executing and complying with the law," and are hence, under the Constitution, functions of the Executive Power. The audit, by the same reasoning, should operate under the direction of the Legislative Power. The Comptroller General today straddles both positions.

Prior to the adoption of the 1928 Law of the Comptroller's Office accounts were settled by the Treasury. These actions were subject to review and final settlement by the National Court of Accounts, which was the Bolivian prototype of the familiar Roman Law Cour des Comptes. Although the judicial procedures invoked by the National Court of Accounts were unsuited to the expeditious handling of fiscal transactions, resulting in undue delay and uncertainty, the fundamentals of the then-prevailing arrangement were sounder in principle than those now obtaining. As democratic institutions have developed, however, it has become clear that the objectives of responsible fiscal management are better served by allocating to the Executive Power the authority for the final settlement of accounts, and securing the responsibility of the Executive Power by the post-audit of financial transactions by an agency of the Legislative Power, which has the means at hand to correct improper financial procedures.

At the time the Law of the Comptroller's Office and the Budget Law were under consideration in 1928 there were warnings against placing the accounting and controlling authority in an officer independent of the Executive Power. The report of the Kemmerer Mission itself reflects, at various points, the objections raised to the intervention of the Comptroller, for example, in the preparation of the details of the budget, in the extension of additional credits, and in the large powers of final determination with respect to fiscal transactions.

The results of placing executive powers of control in an independent auditing office may be reviewed briefly. Before 1928, when a Minister questioned a ruling of the Treasury the matter went to the National Board of Accounts. This procedure was admittedly slow and cumbersome, and could not under any stretch of the imagination be operated in present-day Bolivia. Nowadays, when a Minister disagrees with the Comptroller, the disagreement is still subject to delay in its resolution and sometimes reaches the point of virtual administrative paralysis. In situations where speed, decision, vigor and common sense in the conduct

of national affairs are essential, action is often subordinated to the slow and tedious process of securing technical rulings on doubtful questions.

Since the establishment of the Comptroller's Office in 1928 the Comptroller General, beginning with the period in which Dr. Joseph Byrne served de facto in this office, has through numberless rulings, decisions and procedures carried his authority into areas which are clearly in the realm of executive decision. An examination of the "Regulations of the Comptroller General" shows clearly that many of his rulings go deeply into the territory of administrative responsibility, although apparently within the contemplation of the Law of the Comptroller's Office.

Advance rulings by an independent auditing officer in the realm of executive action and methods, even when they seem wise and salutary, have a profoundly harmful effect. They dissipate executive responsibility and precipitate executive uncertainty. Many of the actions of the Comptroller General, though taken in the belief that they are in the interest of strict legality, undoubtedly impede the work of the various Ministries and add to their operating costs. Administrative officials have found it necessary not only to secure the approval of their plans by their respective Ministers, but also to secure the approval of the Comptroller General as to form, procedure, legality, etcetera. Many important projects have been interminably delayed and some lost altogether on purely technical questions of procedure. This is especially vicious because the person responsible for the delay has no responsibility for the conduct of the work. This division of authority has destroyed responsibility and promoted delay and uncertainty. It has become increasingly difficult, and at times utterly impossible, for the Government to manage its business with dispatch, with efficiency, and with economic sagacity.

An effective continuing executive control over the administration of the Government, to insure economy, legality, and promptness of action is impossible so long as virtually complete authority over plans, methods and procedures is exercised by the Office of the Comptroller General of the Republic. The Comptroller's authority extends so far, in fact, into administrative matters that the operating plans of the Executive Power are greatly effected, and frequently controlled, by his rulings. Fiscal practices are entirely dominated by his decisions.

Numerous delays in administration are inevitable under the current procedures and routines of the Comptroller's Office. Indeed, there is already clear evidence that the system of fiscal tutelage exercised by the Comptroller is breaking down of its own sheer unwieldiness, and is being circumvented by global fund withdrawals virtually without any accounting control. When accounting procedures and methods become so alien to the necessities of the public administration as they have in Bolivia, this result is inevitable. Soon Bolivia will discover itself to be without reliable fiscal records, without effective preauditing of public expenditures, and without even a semblance of a postaudit.

We recommend, therefore, that as a first step toward returning Executive functions to the Executive Power and making it answerable to the Congress, the Ministry of Finance be made responsible: (1) for preauditing all financial transactions of the Government, (2) for maintaining control accounts designed to provide accounting and fiscal information essential to the proper administration of the Government, and (3) for prescribing accounting and fiscal record-keeping procedures in the several Ministries and their dependencies.

The ultimate objectives of the above proposals cannot be attained simply by transferring existing organization units from one jurisdiction to another. As has already been indicated, the accounting procedure of the Government must be fundamentally reorganized if it is to serve the purposes of fiscal management and administrative control. The instructions to the President's advisors on administrative organization and governmental efficiency did not include a detailed survey of the accounting system as such. The researches which have been made into accounting methods have been oriented entirely toward ascertaining the extent to which such methods serve the major purposes of fiscal management and administrative control. The definitive organization of the accounting operations

of the Bolivian Government can be determined only when new procedures are actually adopted and installed. It may well be that the definitive organization, if the recommendations of this report are adopted, may be different in some details from the general organization which we shall suggest, but it is not likely to be very different in the principles which it embraces.

In planning an accounting organization for any large governmental jurisdiction, especially one spread over a wide geographical area, a basic problem is that of defining the relationship between the central accounting office and such accounting work as is carried on by the various Ministries and their dependencies institutions and other agencies of the Government. There is a tendency on the part of fiscal officers generally to under-estimate the importance of accounting in the Ministries, and to think of such activities as being the concern of only the individual Ministry or dependency. Such a concept entirely overlooks the fact that it is the Ministries which have the primary records dealing with the financial transactions of the Government. Moreover, relatively few persons realize the size and complexity of accounting operations in certain of the Ministries. If this problem is not given thorough consideration, there will inevitably be unnecessary duplication of activities and a disjointed system of accounting.

Before dealing more specifically with this relationship, it is necessary to determine certain basic facts which should guide the approach to the problem of organizing the Nation's accounting methods. In the first place, complete centralization of the Government's accounting system would be entirely impracticable. The volume of work, the geographical distances between the seat of government and the sites of various governmental operations, the inadequacy of communication in certain parts of the Republic, and the importance of having certain data readily available to the administrative officials concerned would make complete centralization an impediment rather than an aid to efficient administration. Furthermore, the Ministries and their dependencies directly concerned with transactions must maintain certain records regardless of whether or not there is a central accounting office. One would hardly expect the Ministry of Communications, for example, which administers the postal, telegraph and radio systems, to function without its own complete records.

On the other hand, the maintenance of accounting records in the several Ministries does not obviate the need for having such transactions reflected in the control accounts maintained in the central accounting office. Some duplication is inevitable, but it is essential that it be reduced to the minimum consistent with good administration. This can be achieved only if the interested officials will think in terms of an integrated accounting system which views the Ministerial accounts as component parts of the Nation's accounting process. It is entirely invalid to regard the central accounting records as exclusively constituting the Nation's accounting system. The very nature of many of the Ministerial accounting records makes it essential that they be considered integral parts of the system. The central accounting office should be looked upon as the nucleus of the accounting activities and as the unit for furnishing the controlling force. In turn, the Ministerial accounting records must be regarded as supplementary to those maintained by the central accounting office. This inter-relationship makes Ministerial accounting of vital interest to the central accounting office and also calls for the establishment of definite relationships between these two phases of the accounting work. This is an extremely important point and should not be overlooked. One of the principal procedural defects in the present fiscal arrangements of Bolivia, apart from the fundamental organizational defect which has already been discussed, is the extent to which Ministerial accounting is ignored by the Comptroller. Unless a proper working relationship can be established between the proposed bureau of Accounts in the Ministry of Finance and the accounting offices in the several Ministries, there will be no significant advantages to be realized from the proposed changes obstructionism will merely have been brought inside the Executive Power.

In order to clarify the situation, it is necessary to determine the functions that properly come within the scope of the proposed Bureau of Accounts. Obviously, the Bureau should maintain the general ledger, which contains in summary form all the Government's transactions and controls the various subsidiary records; this is the heart of the accounting system and a vital instrument of fiscal control. A second basic function of the Bureau is that of maintaining a

system of budgetary control for recording appropriations, allotments, commitments and expenditures. Such a procedure affords assurance that commitments and expenditures are made in accordance with both the legislative appropriations and the subsequent monthly or quarterly allotments of such appropriations, which has been discussed in connection with the budgetary procedure. The central system must also provide for the examination of all commitments before they are incurred and of all expenditures prior to their approval for payment. This affords a uniform review of all such items to see that they are accurate and that the transactions represented by them are in accordance with the pertinent statutory and administrative requirements. Since the central accounting records should yield the basic information required for budgetary planning and the formulation of the budget document, the Bureau of Accounts must, in addition to the regular record of expenditures, maintain a detailed classification of such charges.

Another important function that must be performed by the Bureau of Accounts is that of maintaining control over amounts due the Government and their subsequent collection. Thus, the Bureau should record in summary form the various types of receivables and control the collection and cancellation of these items. Furthermore, as monies are collected, it is the function of the central accounting office to record their remittance to the Treasury and to classify such receipts by the respective funds and sources. This classification not only permits the checking on the realization of the revenue estimates for the respective fiscal year, but also affords the data for making the estimates for subsequent periods. The cash in the custody of the Treasury must be properly controlled by the Bureau of Accounts.

The Bureau of Accounts should also have adequate information relative to the Government's indebtedness and should currently accrue the interest on such obligations. Similarly, there should be maintained a central record on investments held by the Government. A related function of the central accounting unit is the maintenance of accounts for controlling inventories. Such accounts should afford control over the receipt and issuance of items from large storerooms, although such control cannot practicably be extended to agencies carrying only nominal quantities of supplies. The central control over inventory should be in the form of summary accounts controlling the detailed records maintained at the various storerooms.

The operation of railways, telegraph and radio systems, the postal system, and the conduct of other enterprises result in important financial transactions that must be reflected in the central accounting records. While it is not practical to record many of the individual transactions centrally, nevertheless a summary control must be exercised by the Bureau of Accounts. This statement would not necessarily apply if, as will subsequently be recommended in our report on the Ministry of Communications, certain of these operations are reorganized as government-owned corporations and taken out of the regular scheme of fiscal and administrative control.

Finally, the central accounting office must furnish the more fundamental and comprehensive financial reports required for administrative control and public information. The data for such reports should be obtainable from the books of the Bureau of Accounts. As distinguished from these basic statements, data on operating costs and similar detailed information properly come within the compass of Ministerial accounting.

In defining the proper scope of Ministerial accounting it is apparent that such activities fall into two major categories. One consists of accounting work that duplicates the records of the central accounting office, while the other represents either original records of transactions subsequently reported to the Bureau of Accounts or more detailed analyses of data kept in summary form by that office. The most important example of necessary duplication is the maintenance of budgetary records by certain individual Ministries and their dependencies. In the case of agencies located outside of La Paz, it is obviously necessary that the officials responsible for the management of such agencies have a current record as to the status of their budgetary accounts. This is essential so that they may be in a position to pass intelligently upon requisitions that are submitted to them for their approval. It would hardly be feasible to make them entirely dependent upon the records of the Bureau of Accounts in La Paz. On the other hand, where Ministries and their dependencies are located in

La Paz and can readily communicate with the Bureau of Accounts as to the status of their budgetary accounts, there appears to be little justification for the maintenance of Ministerial Budgetary records. It should furthermore be pointed out that even where duplicate records are maintained the Ministerial record of commitments need not be as formal as these maintained in the Bureau of Accounts and may often be in the nature of memoranda. This is especially true if a monthly transcript of the central budgetary record is provided to the Ministries and their dependencies by the Bureau of Accounts, which can perfectly conveniently be provided if our recommendations with respect to the mechanization of the accounting system are adopted.

As has already been pointed out, various Ministries do and should continue to maintain certain types of records that are in no way duplicated by the proposed Bureau of Accounts. For example, where an agency handles the billing for services, commodities or other items, it should maintain detailed records as to such bills and their subsequent payment or cancellation. Likewise, agencies receiving cash should properly record such receipts and their transmittal to the Treasury. While these Ministerial records can frequently be of a very simple character, a comprehensive system is to be anticipated when one encounters the volume of transactions involved in administering the customs service, or in handling the postal, telegraph and radio activities of the Government. Where a Ministry is regularly engaged in the sale of commodities or services, it is necessary to maintain records that are closely comparable to those found in a commercial enterprise. One could hardly expect such an enterprise to be operated efficiently unless data were constantly available as to income and expenditures.

Departments having central storerooms should be expected to keep detailed perpetual inventory accounts reflecting the receipt and issuance of items and the quantity and value of the inventory on hand, as well as provide for periodic self-audit of the storerooms. Ministries and their dependencies likewise should account for the equipment in their custody. Such procedures, properly administered, would accomplish a great deal toward preventing the storeroom thefts from which several Ministries have suffered acutely in recent months.

Cost accounting is one of the important activities that falls squarely within the scope of Ministerial, as distinguished from central, accounting. Cost accounting may be defined as "that method of accounting which provides for the searching out and recording of all the elements of costs incurred to attain a purpose, to carry on an activity or operation, or to complete a unit of work or a specific job." Cost data not only facilitate efficient administration but make for more effective fiscal planning and control. In the final analysis, the widespread development of cost accounting throughout the Government is the *sine qua non* of scientific budgeting. Cost accounting is the most significant medium through which financial procedures can specifically contribute to the process of management as distinguished from the more general and infinitely cruder process of control.

In the foregoing paragraphs we have sought to define the relative spheres of Ministerial and central accounting. The question now arises as to the relationships that should be established between these two types of accounting activity. As has already been emphasized, they cannot be regarded as independent each of the other, but must be effectively integrated into a single accounting system. In order to give effect to this conception of an integral accounting system, we recommend that the Bureau of Accounts maintain suitable accounts for controlling the detailed records maintained in the several Ministries and their dependencies. For example, the central records should control Ministerial records relating to accounts receivable, receipts, stores, costs, etc. This detail, while maintained by the various Ministries and their dependencies, should be subject to monthly reconciliation with the accounts maintained in the Bureau of Accounts. In order to facilitate such control, the recommended procedures would have the Bureau of Accounts exercise a check on bills, receipts and other forms of financial stationery. By having a record of such forms and holding the Ministries accountable therefore, the Bureau of Accounts can have increased assurance as to its being promptly informed of the various types of financial transactions in which the Government engages.

However, an even more fundamental approach is needed in order to integrate central and Ministerial accounting. The Bureau of Accounts should furnish the leadership in the development of all Ministerial accounting facilities. It should assist the Ministries and their dependencies in determining the most useful type of accounting records which they should maintain, and should cooperate in the development and installation of the systems in the Ministries. The records of the Bureau of Accounts should be currently reconciled with those of the Ministries. A comprehensive system of Ministerial account reporting should be developed and enforced, and the results of Ministerial accounting thoroughly analyzed by the Bureau of Accounts. As inadequacies manifest themselves in the Ministerial accounting systems, the central accounting office should collaborate with the Ministries, and initiate activities if necessary, to eliminate defects and weaknesses.

The most effective method by which the relationships outlined above might be established and maintained is, in our judgment, through the staffing of the Bureau of Accounts with an adequate number of qualified accounting experts who would handle the contacts between the Bureau of Accounts and the various Ministerial accounting offices. These experts would not be inspectors or auditors; they would not be concerned with individual transactions as such but with the operating effectiveness of the Ministerial accounting system. They would be specialists in accounting systems, not mere accountants. This is a highly important distinction, since our recommendations provide for an independent post-audit in which the Bureau of Accounts has no responsibility.

Having described in general terms the functions and relationships of the Bureau of Accounts, we turn now to the problem of the organization of the proposed central accounting office. The effectiveness with which any large accounting office functions is greatly influenced by its structure. The importance of a sound framework is accentuated in a governmental accounting system as comprehensive as that required by the Republic of Bolivia. The full benefits of any thoroughgoing changes in accounting procedures would, therefore, not be realized unless necessary changes in organization were made concurrently.

In viewing this problem in its relationship to the proposed Bureau of Accounts, one cannot afford to be misled by the large number of recurring routine operations. There is sometimes a tendency to fool that the high proportion of such activities permits a rather loosely defined organization. However, the technical implications of this work make it imperative that the Bureau of Accounts have a properly integrated organization that provides adequate technical supervision of every phase of the procedure. The moving force of the office must consist of coordination and direction by accounting technicians.

Effective administrative control calls for well-defined sections and lines of responsibility, and the delegation of certain supervisory duties. The Director General cannot afford to diffuse his supervision by endeavoring to handle personally the immediate direction of all activities. Intermediate supervision must be provided in order to assure each section adequate oversight and at the same time to enable the Director General to concentrate his attention upon major problems and contacts with other agencies of the Government. The organization plan must avoid undue multiplicity in the component sections; the latter should be set up so as to constitute a well-articulated organization. There should be suitable facilities for controlling and analyzing all transactions and for securing a smooth flow of work through the office.

In the light of the above, it is as well to admit frankly that the existing organization of the Comptroller's Office, which is the central accounting office to the stringently limited extent that Bolivia may be said to have a central accounting office, offers little for the proposed Bureau of Accounts to build upon. The organization and operation of the Comptroller's Office have already been described in detail in Section III of this report, and need not be reviewed at this place. The sixteen largely unintegrated sections of the Comptroller's Office are chiefly the result of historical accident and uncontrolled proliferation. The wholly alien and unrealistic approach to the essential requirements of an effective administrative accounting system is inherent in the present law. These two factors effectively combine to remove it from profitable consideration in connection with determining the structure of the proposed Bureau of Accounts.

With the exception of the Bureau of Customs, it was discovered that the fiscal and accounting agencies of the Government generally had only the vaguest ideas of the quantity of transactions which they handle annually, and for this reason it is difficult to forecast accurately the personnel required for the proposed Bureau of Accounts. Moreover, concurrent recommendations made in this report, such as the establishment of a Purchasing and Property Control Bureau, will have a marked effect upon the number of basic accounting documents which must be processed by the Bureau of Accounts annually.

It should further be pointed out that the number of employees required will be profoundly affected by the virtually complete mechanization of the accounting procedures of the Government and by the proficiency which the personnel attain in handling mechanical operations. When bookkeeping and tabulating machinery can be secured is problematical; how long it will take to train employees to handle such machinery efficiently is equally problematical.

The recommended organization of the Bureau of Accounts consists basically of seven operating sections to which activities have been assigned on a functional basis. In our judgment, this organization will provide integrated direction and adequate technical supervision at all strategic points, and will meet the quantitative requirements of the National central accounting system for some years to come.

General Administration. Responsibility for the administration of the Bureau of Accounts would be vested in a Director General, acting under the general supervision of the Minister of Finance and under the immediate control of the Permanent Secretary. Under the proposed organization plan, the Director General will not be concerned with the immediate and direct supervision of the activities of the central accounting office, since this will be delegated to the several section chiefs. Moreover, the coordinating influence of the Control Section will relieve him of many of the problems arising in connection with the flow of work. The Director General, therefore, will be able to focus his efforts upon the major accounting problems of the Government and upon necessary contacts with other agencies of the Nation. His functions may be outlined as follows:

- 1) To pass upon all basic or highly technical problems arising within the Bureau of Accounts.
- 2) To confer and advise with the Minister of Finance, the Permanent Secretary, the Director of the Budget and Efficiency Office and other interested officials concerning the financial operations of the Government.
- 3) To review all financial statements prior to their release to the Minister of Finance or to the various Ministries and their dependencies.
- 4) To authorize any changes in accounting methods and procedures.
- 5) To approve all journal vouchers prior to posting in the General Ledger.
- 6) To make recommendations to the Permanent Secretary relative to the personnel of the Bureau of Accounts.
- 7) To handle all except purely routine correspondence of the Bureau of Accounts.

Files and Verification Section. The primary function of this section would be to maintain current and reference files for all types of accounting documents. All mail and documents addressed to the Bureau of Accounts would be received by the Files and Verification Section, which would sort and distribute the material after the completion of the matching and related operations. This latter would consist of matching invoices, purchase orders and delivery reports and posting Ministerial purchase orders to blanket encumbrance authorizations. Separate files should be maintained for pending purchase orders, completed purchase orders, paid vouchers, completed inter-account bills, and general correspondence. Prior to filing, all documents should be rechecked by the section for proper handling.

Audit Section. This section should perform the entire auditing of encumbrance, expenditure, revenue accrual and receipts documents. It would receive and examine all encumbrance documents, together with their accompanying transmittal sheets, prior to their release to other sections. This examination would consist of checking the documents for proper preparation and seeing that they agree with the transmittal sheets. All expenditure vouchers and the supporting documents would be pre-audited following their receipt from the Files and Verification Section. The pre-audit should deal with every phase of the transaction, including: 1) arithmetical accuracy, 2) delivery of items, 3) comparisons of quantities and types of services or commodities received with those originally ordered, and proper certification. In addition, the pre-audit operations should include the determination of charges and credits arising from inter-account bills and refunds of receipts vouchers, the entering of voucher data on purchase orders and encumbrance liquidations on vouchers, and the coding of expenditures according to a detailed expenditure analysis classification. Vouchers found to be incomplete or inaccurate, or containing items that were not allowable, would necessitate communication with the Ministries and their dependencies and with the vendors.

The audit of receipts vouchers would consist of checking for arithmetical accuracy and correct classification and - in the case of special or restricted revenues or refunds - determining the expenditure account to be credited. In connection with the receipts work, this section should maintain a special Register of Checks Returned. Furthermore, reports on accruals of revenue and cancellations thereof should be checked by the employees charged with the auditing of receipts. Finally, the Audit Section should be responsible for the control of accounting stationery. This would involve the maintenance of records indicating the type of stationery, the inclusive numbers, and the Ministries or dependencies to which such stationery has been issued.

The volume and importance of the work entrusted to this section merits a staff of high qualifications, having a sound knowledge of accounting office procedure and terminology. The pre-audit function is a job professional accountants, not for persons with merely clerical qualifications.

Voucher Section. According to the contemplated procedures, all copies of approved vouchers and their supporting documents would be routed from the Audit Section to the Voucher Section. Here they would be examined to see that all pre-audit operations have been properly completed, after which they would be numbered, a separate numerical series being used for inter-account vouchers. This would be followed by the preparation of voucher transmittal sheets that list all vouchers except inter-account bills. Finally, the warrant numbers and dates would be inserted upon the separate vouchers, and the necessary materials forwarded to their proper destination.

Accounting and Machine Tabulation Section. This section would maintain the following four subsidiary ledgers, all of which would be posted either on book-keeping machines or mechanical tabulating equipment, according to decisions made at the time of the recommended accounting installations:

1. Encumbrance and expenditure ledger.
2. Receipts Ledger.
3. Detailed expenditure analysis ledger.
4. Institution ledger.

Control Section. One of the most important features of a central system of accounting control is the prompt and expeditious handling of accounting operations. Governments must, in modern times, be able to move rapidly and surely. If accounting routines impede rapid and sure movement, the integrity of the entire fiscal process is likely to be impaired.

For this reason especial attention has been given to the problem of continuous integration and expedition of accounting procedures in the Bureau of

Accounts. The Control Section is responsible for the effective coordination of all phases of the office routine and the technical review and control of all transactions. This latter would be secured by routing copies and summaries of all documents through this section, which will see to it that such documents flow smoothly through the various sections, are handled according to schedule, and are released promptly when they have been correctly posted to the subsidiary records.

This control may best be effected through the preparation of daily summaries for encumbrances and expenditures and receipts. The independently computed control account totals will be used for proving the accuracy of the daily posting to the subsidiary ledger. This system of pre-determined totals is one of the most effective devices known for speeding up the accurate processing of fiscal documents, and is an essential part of an accounting procedure which seeks to assist and implement, rather than impede, the work of the Ministries and their dependencies. The Control Section should prepare journal vouchers for the General Ledger posting of the transactions shown in the summaries and also for unusual transactions that are not entered on such summaries.

General Ledger and Balance Record Section. This section should maintain the General Ledger which controls the financial transactions of the entire Government. It should also keep the Investment and Depository Balance Records. Its main function should be the preparation and verification of all periodic and special financial statements and reports issued by the Bureau of Accounts. If extensive use is made of mechanical tabulating equipment, cooperative plans should be formulated for the assistance of the Accounting and Machine Tabulation Section in the production of certain parts of these reports.

Ministry Accounting Section. The argument for a special expert consulting and advisory service, to assist the various Ministries and their dependencies in the developing of Ministerial accounting procedures which will best serve their purposes, and will implement the reconciliation of Ministerial and central accounting records at strategic control points has already been presented. It is sufficient at this place to emphasize again the fact that this section is an advisory section of experts in accounting systems and procedures, that it is not an auditing or policing agency, that it should not attempt to deal with individual transactions but with procedures, and that it should be staffed by highly competent specialists in cost accounting and other technical aspects of financial procedures.

Our recommendations with respect to the direction and control of accounting and expenditures are as follows:

1. A clear and unequivocal distinction should be made in law and administration between the responsibility for the current control of accounting and expenditures and the post-audit function; the former is, under the Constitution of Bolivia, and according to all known principles of sound financial management, a function of the Executive Power, while the latter in most modern governments is recognized to be properly appurtenant to the Legislative Power.
2. To permit the meeting of the responsibility of the Executive power with respect to the current control of accounting and expenditures, a Bureau of Accounts should be established in the Ministry of Finance, the functions of which should be:
 - a. To pre-audit all financial transactions of the Government;
 - b. To maintain control accounts designed to provide accounting and fiscal information essential to the proper administration of the Government;
 - c. To prescribe and supervise accounting and fiscal record-keeping procedures in the several Ministries and their dependencies.

The Bureau of Accounts should be organized as follows:

- a. Executive Office
- b. General Ledger and Balance Record Section
- c. Control Section
- d. Audit Section
- e. File and Verification Section
- f. Voucher Section
- g. Accounting And Machine Tabulation Section
- h. Ministry Accounting Section.

3. A comprehensive installation of accounting classification, methods and procedures should be undertaken at an early date, designed to produce a modern, mechanized system of accounting for the National Government.

4. The authority to settle all claims and demands of the Government of Bolivia or against it and accounts in which the Government of Bolivia is interested, either as debtor or creditor, should be vested in the Ministry of Finance.

5. The jurisdiction of the Office of the Comptroller should be redefined by law as that of a post-audit agency, and the facilities and powers of the Comptroller General in procedures to rectify the mal-administration of financial affairs should be strengthened in accordance with recommendations contained elsewhere in this report.

D. Procurement and Property Control

The Bolivian National Government is probably the largest single purchaser of materials, equipment, and supplies in Bolivia. While the absence of a proper system of objective expenditure classification prevents an accurate estimate of National Government outlays for such items, it is safe to estimate, on the basis of the indications contained in the General Account of the Nation (1940), page 31, that not less than 15 per cent of the total National Budget is ultimately expended directly for the purchase of goods in these general categories. The annual National account for materials, equipment, and supplies is therefore approaching Bs. 150,000,000.

At the present time purchases in amounts less than Bs. 50,000 are made on the responsibility of individual Ministers, according to the information which the advisers on administrative organization and procedures have been provided. For purchases the value of which exceeds Bs. 50,000 the establishment of a board is required. This procedure is obviously designed to protect the individual Minister from criticism by dividing the responsibility in larger transactions, and has no significance from the standpoint of governmental economy and efficiency.

Large private undertakings have had an experience of more than thirty years with centralized procurement, and it is significant that in the commercial and industrial field the use of this management device is decidedly on the increase. This increase is attributable to three factors: first, procurement has become highly technical, and requires the attention of specialists in buying; second, general administrative officials have realized that, problems of technical specification aside, with the growth in the magnitude of business and commercial operations an attempt to handle procurement integrally with general management substantially decreased their effectiveness as general managers. This argument is applicable with equal force to the Ministers and other top administrative officials of the Bolivian National Government. The heads of Ministries and dependencies have full-time jobs administering the affairs of their offices and cannot be burdened with the time-consuming details essential to purchasing for their organizations, nor can they be expected to become specialists in procurement methods in addition to handling their tasks of general management. Third, centralized procurement, properly administered, has never failed to effect very real and substantial savings.

Although the over-all benefits accruing from centralized procurement will be discussed in later pages of this report, its chief advantages may profitably be summarized at this point:

1. Unified purchasing (i.e., pooling aggregate governmental requirements) leads to lower prices, due in large measure to the increased quantities contracted for or purchased outright at one time, and the greater number of vendors that are willing and anxious to compete for this kind of business. World or domestic market factors may affect the relative margin of economy which centralized purchasing attains, but the large scale purchaser is always, regardless of market conditions, in a stronger position than the small scale purchaser, in both domestic and world markets.
2. Specially organized procurement agencies usually are able to expedite payments and thus earn substantial cash discounts on governmental purchases. An important factor in the high prices which the Bolivian Government must pay for its purchases is the slowness with which vendors are paid under prevailing procedures.
3. A list of qualified vendors may be established, which will prevent unreliable vendors from bidding and subsequently substituting shoddy merchandise and causing delays and expense. In this connection the Comptroller General has written forcefully as follows "The majority of those selling to the Government seem to seek to sell the lowest possible quality at the highest possible price, and at times wholly without intention of delivering at all... lamentably, the agencies purchasing such goods are incompetent in protecting the financial interests of the Government."
4. Standards can be adopted, thus reducing the number of different articles used for the same purposes, and consequently reducing the cost of production and the price to the Government.
5. The use of standard specifications facilitates the bidding process, in that all competing vendors can submit prices on quantities and qualities of merchandise which are clearly defined.
6. A consequent reduction in the number of purchase orders issued effects marked savings in "paper work".
7. Purchasing organizations can follow up orders to see that prompt deliveries are made, keeping a record of the service provided by each vendor in order to eliminate from their lists of qualified vendors those whose services have proved unreliable.
8. Centralized purchasing, with large volume, justifies the development of intensive methods of inspection and testing, thereby helping to prevent vendors from delivering inferior goods and also contributing to the development of better specifications.

Reliable students of the economies of centralized procurement have estimated that the cost of purchasing ordinarily averages about two-thirds of one percent of the total volume of purchases, and that from 10 to 15 percent of the total amount of annual purchases can be saved by efficient centralization. The word "efficient" is highly important, because mere centralization will not necessarily produce any economies. There have, unfortunately, been instances in which the centralization of procurement has literally meant the centralization of inefficiency and in some cases the centralization of graft. There have been other cases where the honesty and efficiency of the central purchasing agency have run afoul of the ambitions of lost-minded politicians, and the purchasing agency crippled through budget cuts and through divesting the purchasing director of authority. All of these aspects of the problem must be considered in establishing a central procurement agency in the Bolivian National Government.

On the other hand, if centralized procurement can be honestly and efficiently administered, it is unhesitatingly recommended for adoption by the Bolivian Government. Under normal circumstances, such a system of procurement should result in annual savings, based upon present purchases, of not less than Bs. 12,000,000. The cost of central procurement will probably be about Bs. 1,000,000, although it must be realized that an equivalent amount is probably now being spent by the various Ministries and their dependencies for purchasing, concealed in their administrative costs, and that on the whole a relatively indifferent job of purchasing is being performed by these highly decentralized and unintegrated efforts.

Purchasing is essentially a fiscal function, and one of the primary advantages of centralized procurement is the fact that it makes possible a more adequate accounting control over expenditures for equipment, materials, and supplies. Because of this close relationship, the procurement organization should be set up as an integral part of the Ministry of Finance, and its procedures closely correlated with those of the proposed Bureau of Accounts, the organization of which has been previously described.

In procurement, as in accounting, one of the difficult problems which frequently arises is the extent to which purchasing should be centralized. Certain agencies, such as hospitals, libraries, museums, and similar organizations, often feel that because of the specialized character of the work which they perform a centralized procurement service could not satisfactorily meet their needs. It is also true, as every general administrator will readily recognize, that there are few units of governmental organization which are not, at least in the minds of those directly responsible for their administration, so entirely unique that they are hardly susceptible to any general norms of official behavior. Of course, no sensible procurement officer would presume to dictate the type of drugs to be used in a hospital, or the kind of books to be placed on the shelves of the public library; but there is no reason why the procurement service cannot handle the purchase negotiations after specifications have been submitted by the using agency.

In point of fact, there are very substantial differences in the position of accounting and purchasing as to the degree of desirable centralization. In the first place, the economic argument for centralized purchasing is based primarily upon the pooling of requirements in order to secure the savings of large scale procurement. These savings obviously cannot be secured if the Ministries and their dependencies are to be permitted to purchase independently any substantial part of their requirements. A second important argument for centralized procurement is that it permits the development of specialized purchasing skills and techniques in the staff of the procurement agency; in order to keep overhead costs in the various specialized sections low in relation to the total value of such purchases, it is necessary that all buying be centrally performed. Third, practical experience has led to the conclusion that most of the advantages of central inspection and testing are lost when there is a substantial decentralization in the procurement system. Fourth, there is every reason to believe that the expeditiousness of payments to vendors and the consequent realization of cash discounts, made possible by the speeded-up accounting procedures which are recommended, will be implemented materially through the operation of a central purchasing agency whose specific job it is to secure the maximum possible advantage to the Government in procurement operations.

If there are to be any exceptions to the authority of the proposed Bureau of Procurement and Property Control to make all purchases for the Government, such exceptions should be made in terms of specific commodities, and not in terms of using agency or agencies. If, for example, upon thorough consideration it is decided that a hospital should be allowed to purchase its own pharmaceuticals, there is no reason why the procurement agency should not purchase the hospital's stationary, fuel, foodstuffs, and other standard commodities. In making provision for exceptions, which are strongly warned against, the Director General should be required to prescribe the procedures to be followed, and to supervise such procedures, subject to the ultimate approval of the Minister of Finance.

Given a modicum of good sense and cooperation, there need be no serious controversies between the Bureau of Procurement and Property Control and the Ministries. If the officials of the central procurement agency are wise, they will keep in close touch with the Ministries and their dependencies and will consult with them regarding the performance of the various commodities which are centrally purchased under all the varying operating conditions of the Government service. This will not only prove a source of much valuable information and advice for the Bureau of Procurement and Property Control but also will win for the central purchasing office the confidence and support of the Ministries as the Ministerial officials learn to respect the knowledge of market conditions and buying techniques developed by the Bureau of Procurement and Property Control.

An effective purchasing procedure for the Bolivian National Government should include the following provisions:

1. All equipment, materials, and supplies should be secured through the proposed Bureau of Procurement and Property Control on requisition by a designated officer or designated officers in the Ministry requiring the commodity or commodities.
2. The approval of the Bureau of Accounts as to legality and availability of funds would be secured before the requisition would be honored.
3. The Bureau of Procurement and Property Control would then secure the lowest and best bid, confer with the requisitioning agency if necessary, and then place the order.
4. The Bureau of Accounts would encumber the appropriation in accordance with suggestions previously made in this report.
5. When the equipment, material or supplies are received they would be inspected by the Bureau of Procurement and Property Control for conformity to specifications set by the requisitioning agency for conformity to the standards of the using agency and, if the commodities were accepted, a certification of satisfactory fulfillment of the order would be issued by the requisitioning agency and forwarded to the Bureau of Accounts.
6. The receipt and certification would be pre-audited by the Bureau of Accounts, as suggested earlier in this report, by checking its arithmetical accuracy and comparing it with the purchase order and invoice, preparatory to approval for payment.

A highly important advantage of the proposed purchasing procedure that should be emphasized is that it would tend to render the process of procurement immune from the charges of fraud, favoritism and political manipulation. This is especially desirable in Bolivia at the present time, where the existing political system continually subjects public officials to suspicion in connection with all types of purchasing.

Although good purchasing procedure requires that all qualified bidders be given simple opportunity to compete, it is necessary that reasonable provision be made for emergency purchases. Any legislation that may be adopted should define clearly what constitutes an emergency, permit competitive bidding to be omitted in bona fide emergencies, require the use of a purchase order, the written authorization of the Minister concerned, and approval of the Director General of Procurement and Property Control for every such emergency purchase, and provide further that the Minister should submit a full explanation in writing to the President of the Republic justifying the emergency action within ten days after such purchase has been authorized. It should, moreover, be made impossible for routine purchases to be disguised as "emergencies" in order to avoid the provisions of the purchasing law or to cover up carelessness and poor planning. The law should also provide that the cost of any purchase negotiated in violation of its provisions may not legally be paid by the Treasury, but must be paid by the official or employee who incur the obligation.

In this and other matters connected with procurement administration, it is necessary that the President and his Ministers discipline strictly offending officials and employees, and that the Bureau of Accounts be continually alert so that the payment of claims representing unauthorized purchases may be withheld.

The enactment or promulgation of laws, prescription of procedures, and establishment of penalties are not enough, in themselves, to secure efficient procurement. A purchasing law is not self-executing, and its efficiency turns, in the final analysis, upon the adequacy of its administration. The adequacy of its administration depends, in turn, upon the ability and honesty of the men who enforce it, and upon the soundness of the procedures that are adopted in giving effect to it.

Purchasing is not a simple task that can be learned overnight. The procurement personnel must be familiar with the thousands of items in each specialized line of commodities which are used by the National Government. They must know the sources of supply for each of those items, or must know how to locate the sources. Through a thorough knowledge of price and market conditions, they must know the most favorable time to purchase each item. They must familiarize themselves with the reputations of suppliers, and their ability to serve the needs of the Government. They must be aware of the sharp practices many times used by vendors. They must be fully cognizant of purchasing legislation and regulations and, of especial importance in Bolivia, a thorough knowledge of foreign markets. They must, moreover, have a keenly realistic sense of the needs of the various Ministries and their dependencies, so that their services to the Ministries will be of substantial assistance to the Government in facilitating the operations of the various public services.

The procurement personnel of the Government must, in short, be rigidly honest, it must be professional, it must be sufficiently numerous to be specialized, it must be paid enough to take away the temptations of bribery which will freely come its way, it must have permanency of status and security of tenure, and it must be pensionable in the event of disability or superannuation.

The Bureau of Procurement and Property Control must, in addition to being honestly and competently manned, have modern procurement techniques with which to work. There is a profound difference between central procurement and mere central Order-placing, and a central order-placing office fails to fulfill most of the requirements of bona fide central purchasing. Some of the techniques essential to effective centralized procurement are described in the following paragraphs.

Commodity specifications are indispensable in purchasing in order to secure free and open competition, determine awards, check the quality of deliveries, and reject defective goods. Responsibility for the quality of goods delivered can be placed inescapably upon the vendor only if complete and workable specifications are developed. Furthermore, through the use of specifications and competitive bids many governmental purchasing agencies have discovered that commodities that the government had been buying under fancy trade-names- and at correspondingly fancy prices-could be obtained, mine only the trade name, from other suppliers for a fraction of the price formerly paid.

The preparation of specifications is one of the most important tasks of the procurement agency, and calls for close cooperation between the Bureau of Procurement and Property Control and the various Ministries. One of the most effective devices which has been developed to secure cooperation is the standing advisory committee, composed of those officials in the various Ministries most intimately concerned with procurement, working under the chairmanship of the Director General. Such a committee is also highly useful in advising upon and assisting in the formulation of detailed regulations concerning procurement procedures. Such an arrangement provides the Bureau of Procurement and Property Control with a ready avenue of communication with the using agencies, and facilitates the process of cooperation and consent which is fundamental to effective central procurement.

A very important function of a central procurement office is that of conducting research regarding commodities used by the Government. It needs to be fully informed as to the reliability and constancy of various commodities, sources of supply, market conditions and prices, economic trends, current quotations, and prices paid by other governments. Unless this information is available, the Government will continue to be, as the various Ministries have been, at the mercy of high-pressure salesmen whose representations are often to be resisted by only the most experienced of procurement officials. Evidence of this is readily at hand in a number of Ministries, which have, in the past, been sold equipment so alien to their needs that it can now be characterized with complete candor as no more than "junk."

It is well known that buying in large quantities brings lower unit prices, and one of the principal advantages of centralized purchasing lies in the opportunity it presents for pooling the requirements of several Ministries or dependencies into large orders. For the most part, purchasing in the Bolivian National Government is done in small quantities. Many agencies, for example, may need to procure the same type of equipment or supplies on the same day, yet each agency now normally makes its purchase separately. This adds enormously to the paper work in the Ministry, to the work involved in purchasing, to the cost of the commodity purchased, and to the cost of accounting for the purchase and paying the vendor. There are numberless items upon which standardization and centralization appear to offer obvious economies to even casual observation. Letterheads, carbon paper, thin paper, second sheets, and envelopes, for example, should be standardized for the National Government, with certain provision for overprinting, and made available through a central storeroom to all the agencies at La Paz. Many other types of office supplies and equipment could also be standardized and handled on a quantity basis, to the financial advantage of the Government.

The point has been made in some quarters that large quantities of materials and supplies are often subject to loss through theft or misplacing, and there is some evidence to support this view. The objection can be met, however, though systematic stock control plus the exercise of strict discipline. Vendors, moreover, are usually willing to quote quantity prices on the total order, making deliveries as needed, and accepting monthly payments for the amounts taken during the previous month. If the conditions of periodic deliveries are fully stated when the Government calls for bids, no difficulties should be encountered in securing quantity discounts even on commodities which the Government does not itself wish to store.

The Bureau of Procurement and Property Control should arrange to purchase in the quantities that prove to be the most economical for the purchase commodities for the several Ministries on the basis of a six or twelve months' supply. Some commodities should perhaps be bought only on a monthly supply basis, while still others may best be purchased in small lots. The purchasing policy should depend upon which method will produce the most advantageous prices under existing market conditions or those likely to prevail in the near future. When prices are rising or expected to rise, it is generally the best policy to negotiate large orders for future periods, when prices are declining, small orders, or large orders with contract provisions guaranteeing the government the advantage of any price decline, are advisable. In doubtful cases, alternative bids for various quantities may be secured.

In order to determine future requirements for commodities, it is necessary to consult the detailed budget estimates and supporting data of the various Ministries and also to require supplementary estimates of requirements for specified articles over a stated future period; total requirements can then be pooled into bulk orders. Obviously, the present systems of account of classification and budgetary presentation is totally unsuited to use such as this, and the provision of an accounting understructure for procurement planning is a major factor in our recommendations elsewhere with respect to the development of an adequate accounting classification.

It is important to reduce, to the maximum degree practicable, the number of sizes, types and grades of commodities purchased, in order to permit larger purchases of particular items and thus bring about great savings. The purchas-

ing advisory committee can be of great assistance in this work of standardization, which is intimately related to the development of specifications, since operating requirements in the various Ministries will be the major factor in reaching a decision as to the grades and types of commodities to be used. The Director General will soon discover, as he takes up his duties, that many commodities are purchased that differ only slightly in quantity, size and other characteristics, and that in some items at least it will be relatively easy to obtain consent to standard specifications which will greatly facilitate economical purchasing in bulk quantities.

Although a simple announcement that the Government will consistently maintain free and open competition in its procurements operations will attract many bidders who would not otherwise be interested, effective procurement requires the stimulation of competition. One of the first steps in securing competition is to convince vendors that the Government is alert and capable of forceful action in maintaining its rights; this will discourage vendors who might otherwise be inclined to collusion, and will encourage reputable persons to compete for the Government's business.

Wide publicity to the requirements of the Government should be given by the Bureau of Purchases and Property Control as a matter of routine. Newspaper publicity, bulletin boards, radio, cinema, and other types of advertising not only stimulate competition, but place the procurement procedures of the Government above suspicion, which is in itself an important stimulus to competition. The National Office of Propaganda, which is recommended later on in this report, should be of valuable assistance to the Bureau of Purchases and Property Control in securing adequate public attention to the purchasing program.

The purchasing legislation should probably provide that all purchases of more than Bs. 10,000 be advertised, and that all purchases of more than Bs. 50,000 be approved by the Council of Ministers before the award is made. The recommendations of the Bureau of Purchases and Property Control would, of course, almost invariably be followed, but the suggested procedure provides an additional precaution against criticism, and additional assurance of the Government's intention to conduct its business under the fullest conditions of publicity.

Irresponsible vendors are a menace to the purchasing activities of any Government. It would be provided by law that any vendor who has failed to meet the terms of his contract or order with the Government or any other party, or who lacks the necessary financial standing, may be declared irresponsible by the Minister of Finance and made ineligible to receive any further business from the Government for a period of one year unless the Council of Ministers removes the disqualification by unanimous vote.

The Government of Bolivia is naturally and properly interested in purchasing as far possible national products from local vendors. In this matter, however, the Government should not overlook the healthy influence of international competition, and bidding should always be open to any responsible vendor. If the Government wishes to favor local bidders, it should adopt a policy that in no case will it accept a bid which is more than five per cent in excess of the lowest forcing bid; the granting of greater preference is likely to impair competition to an extent incompatible with efficiency in central purchasing.

In many lines, of course, there is no Bolivian source of supply for commodities which the Government requires. The suggestion has been made by the Comptroller that the Government negotiate directly, perhaps through the medium of its consular service, with vendors in foreign countries. This appears to be a thoroughly sound idea, and should be recognized in any purchasing legislation which may be adopted. It may, moreover, be feasible to employ agents of the Bureau of Procurement and Property Control in foreign countries in order to stimulate foreign competition for business which cannot be locally handled. A proposal is now under consideration in the United States to permit

State and municipal governments facultatively to purchase on United States Government contracts, and some type of international collaboration might conceivably be extended to foreign governments when it is to their advantage. International reciprocity along many other lines, and in other countries, could well be developed to implement not only competitive bidding but standardization of specifications, pre-shipment inspection and testing, and many other phases of procurement.

A government, precisely as a private business, needs some means of protecting itself against the delivery of goods which fall below the specified quality or quantity. Materials should always be inspected to ascertain their conformity with the order. A receiving report, filling out by the using agency, will indicate that delivery has been made and that the materials meet the standards of that agency. No bills should ever be paid by the Treasury until the Bureau of Accounts has certified that this report has been received and approved. In many instances the Bureau of Procurement and Property Control will wish to have laboratory tests made of certain commodities, to determine whether they meet specifications; this is particularly important with respect to highway materials, gasoline and lubricants, drugs and pharmaceuticals generally, certain types of foodstuffs, textiles, sewer pipe, cement, brick, etc. Samples of goods submitted with bids should also be tested. At its inception, it is probable that the Bureau of Procurement and Property Control can most economically rely up the laboratory facilities of the various Ministries already available, with occasional assistance from commercial laboratories, but the eventual development of special laboratory facilities may be found necessary.

While the various Ministries and their dependencies will, as a matter of expeditious administration, find it necessary to maintain nominal amounts of supplies in stock, it is strongly recommended that stores activities be centralized to the maximum extent practicable, at least for operations in La Paz. Adequate control over goods in storage must be exercised in order to present less through carelessness, accident, or theft. Small errors in a number of Ministries do not permit the development of proper operating conditions with respect to storage, custody, issuance, or accounting control, and inadequacies in these particulars have been major factors in recent losses from Ministerial stores.

The most effective method of handling scores of equipment and supplies is to keep the amount of such stores in the hands of the various Ministries and their dependencies as small as practicable, taking fair account of the operating needs of the Ministries; to hold one person in each Ministry fully responsible for such stores, to maintain perpetual inventory and accounting controls over such Ministerial stores, and to conduct frequent physical inventories. At the central store full custodial and accounting procedures can, of course, be developed, and the store operated for all practical purposes as a commercial undertaking.

An extremely important activity which should be the joint responsibility of the Bureau of Procurement and Property Control, and the Bureau of Accounts, is that of controlling and accounting for public property. At the present time the Comptroller's Office maintains book control over the quantity and value of certain types of property, but marking and inventorying procedures are almost entirely lacking and the properties accounted for in the National Properties Section is too limited to afford adequate accounting control.

Any comprehensive plan for the proper accounting for fixed assets should include the following items:

1. A set of rules and regulations by which to determine what should be included as proper charges to fixed assets.
2. A standard procedure through which to acquire, record, transfer, and dispose of fixed assets.
3. A standard classification of property accounts for general ledger and property ledger purposes.

4. A comprehensive and well-designed system for recording complete information with respect to each separate unit of property and a well-planned arrangement for filing such information.
5. An effective accounting control between the general ledger and the property ledger.
6. A physical control of properties through the individual property records.

The property control system should include all public property, with should be classified in broad groups either in the general ledger or in an intermediate ledger controlled by one or more accounts in the general ledger. Broad classes of property should be adopted in order that classification may be simplified and made more accurate. A highly important factor from the standpoint of property control is the development of a system of property description that will facilitate rapid, accurate, and brief designation, and will result in like descriptions of like properties.

Five major classifications of property have been found in practice to be highly useful. These are:

1. Land. This account should include all land owned by the Government, however acquired. The establishment of a proper record covering Government-owned lands usually requires a large amount of difficult legal-historical research, and it would be most unusual if the Bolivian Government were not to discover that much of the lands to which it claims title in a proprietary capacity required further legal action to clearly establish the Government's ownership.
2. Buildings. This account should include all permanent buildings and structures and fixtures attached thereto.
3. Improvements Other than Buildings. The improvements other than buildings account should include all nonstructural improvements, such as highways, walks, sewers, water-mains, etc., which increase the value of Government-owned lands and buildings.
4. Machinery and Equipment. This type of public property is of a relatively permanent character that does not lose its identity upon removal from its location. All general fixed assets, other than lands, buildings, and improvements other than buildings, should be included in this account. It is usually necessary, in drawing the line between fixed and expendable assets in this category to establish somewhat arbitrary distinctions, to exclude machinery and equipment with, for example, an estimated life of less than two years or with a value of less than Bs. 250, which latter should be treated as expendable assets, and handle as other consumable stores.
5. Work in Progress. The cost of all partially completed projects should be included in an account of work in progress in order that a true and complete statement may be made at any time of the general fixed assets of the Government. The total expenditures for work in progress can be obtained from the cost records maintained for each project should be transferred to the proper fixed-asset classification.

Mention has already been made of accounting control of expendable or consumable supplies, and of the importance of coordinate action on the part of the Bureau of Procurement and Property Control and the Bureau of Accounts in following up the distribution and use of these types of public expenditures.

The purpose of maintaining and supervising systems of property control and inventory control of supplies is not simply to make work for clerks and accountants, and unless the records are so maintained that they are

useful for administrative and planning purposes, they may as well not be maintained at all. There is, however, little true economy in having the Bureau of Procurement and Property Control purchase equipment under favorable conditions if the equipment is not used to its full life expectancy. The effectiveness of centralized purchasing of supplies is definitely impaired if the supplies purchased are allowed to deteriorate or become obsolete in Government storehouses. An efficiently purchased piece of equipment or store of supplies does not fulfill its purpose if it is stolen or otherwise diverted from its legitimate use.

The most important reasons, in fact, for controlling property and supplies are practical, not merely accounting, ones.

1. Theft and diversion is discouraged by physically identifying most properties, and discovery of theft is made certain at an early date through the systems of physical inventories.
2. The purchase of unnecessary additional property is avoided because the systems of control indicates quickly whether a piece of property is available for transfer or use other than to which it was originally assigned.
3. Planning on the part of budgetary and procurement agencies is facilitated through property and supplies control, since accurate definitive records are available as to consumption rates of supplies and replacement rates of property, which results in more accurate financial planning and more efficient procurement operations.
4. The determination of the relative efficiencies of various types of equipment and properties is facilitated by the maintenance of central records, and more satisfactory and economical selections are made possible in subsequent purchases.
5. Claims of the Government on warranties of quality and performance are strengthened through the maintenance of the types of records which provide incontrovertible evidence of performance.
6. Waste is avoided through the prevention of deterioration of supplies and through avoiding inadequate use of nonconsumable properties.

Our recommendations with respect to procurement and property control are as follows:

1. That all procurement activities of the National Government be centralized in the Ministry of Finance, under the administration of the Bureau of Procurement and Property Control.
2. That the Bureau of Procurement and Property Control be staffed by highly competent professional purchasing officials, that they be compensated at rates high enough to command honest and capable service, and that they be accorded security of tenure and pension in the event of disability or superannuation.
3. That the Bureau of Procurement and Property Control be organized in the following sections:
 - a. Executive
 - b. Office Equipment and Supplies
 - c. Highway Equipment and Materials
 - d. Food Supplies
 - e. Technical Equipment and Supplies
 - f. Inventory and Property Control
4. That an Advisory Board on Procurement and Standardization be appointed, composed of representatives of the various Ministries to function under the chairmanship of the Director General charged with:

- a. The development of procurement specifications.
 - b. The standardization of commodities in use in the National Government.
 - c. Advising with the Director General of Procurement and regulations governing the operation of the procurement and property control systems, for recommendation to the Ministry of Finance and the President of the Republic.
5. That the bureau of Procurement and Property Control and the Bureau of Accounts be charged with the installation and operation of a comprehensive system of physical and accounting control of all public properties, and with accounting and inventory control of all stores of materials and supplies belonging to the Government.

E. ACCOUNTABILITY OF THE EXECUTIVE TO THE CONGRESS

The technique by which executive accountability to the Congress is established is a vital problem of responsible financial management in a democracy. While no known instance exists in which executive opposition party leaders, experience has indicated two highly fruitful methods by which the responsibility of the executive power to the Legislative power may satisfactorily be fulfilled. The first is through the medium of comprehensive and intelligible annual and interim fiscal reports by the Executive power to the Congress and the general public. The second is through the maintenance of facilities for the independent post-audit of all the organization units of the Executive institution, conducted by agents of the Legislative power who are completely dissociated from participation in any of the actions or decisions of the Executive power.

The Executive power has a definite obligation to present financial reports which meet as fully as possible all the demands for information concerning the Government's financial affairs that may reasonably be made. The needs which financial information should meet are varied. A complete record of the cash transactions of the Government is required for an understanding of treasury operations. Comprehensive information concerning the income and expenditures of the Government is required for an intelligent appraisal of the financial condition of the Government at any particular time and for a determination of the reasonableness of the costs of various Governmental services. For different purposes, there are required statistics of Governmental receipts by sources and organization units and statistics for Governmental expenditures by organization units, function, character, object, and activity. A properly designed accounting system will produce this varied financial information as needed promptly and without undue costs. This information can, moreover, be compiled and arranged in a manner to permit its publication and wide dissemination in printed reports that are understandable, at a reasonable expense, to the Government.

The inadequacies of the present financial reports which are prepared for the Congress are partly due to the fragmentary character of the accounting system and partly to the lack of a careful and thorough analysis of the information which should be presented in these reports and the form in which such information should be compiled and published. It is recommended, therefore, that as a part of the revision of the accounting system which has been proposed, the Director General of Accounts be instructed to have a study made of the financial reporting of the Government for the purpose of devising and installing a system of financial reporting which will provide currently to the Congress, to the administrative officials of the Government, and to the public generally accurate and comprehensive statements of the financial condition and operation of the government, withholding or presenting in summary form only such information as, in the opinion of the President, should not be divulged for reasons of international comity and national security. Such a system should at least provide that the Bureau of Accounts prepare monthly and transmit to the Minister of Finance and the President: 1) a general ledger statement and balance sheet, 2) a complete budget statement showing appropriations, allotments and expenditures; and 3) a statement of estimated and actual receipts. It

should also result in an annual financial report which would present: 1) the statistics of the financial condition and operations of the Government in an understandable and comprehensive form; 2) a complete statement of receipts and expenditures properly classified on an accrual basis respectively by sources and funds, and by character, objects, functions, activities and funds; and 3) a complete balance sheet by funds, as of the close of each fiscal year, consistent with the statements of financial operations.

As has been repeatedly pointed out in this report, in addition to certain fundamental deficiencies with regard to the type of information it contains, the report of the Comptroller's Office on the General Account of the Nation becomes available too late to be of use for purposes of administration and policy determination. This is primarily because of deficiencies in the present accounting system to which reference has already been made. The Comptroller's Office cannot prepare and publish a report on the financial condition of the Government during any stated fiscal year until the accounts for that year are finally closed. Since the final closing of these accounts and the necessary procedures may be postponed for several months after the close of the fiscal year, the annual report of the Comptroller's Office does not become available for seven or eight months, or more, after the close of the fiscal year to which it is properly applicable. The 1940 report of the Comptroller's Office on the General Account of the Nation, for example, was sent to the Congress with a covering letter dated August 31, 1941, and this, we been informed, was somewhat earlier than such reports had, as a rule, hitherto been submitted. If the accounting system is placed upon a true accrual basis, the accounts can usually be closed within ten days after the end of the fiscal year, and a report on the finances of what year made available in published form within two months after the accounts have been closed. We suggest, therefore, that the proposed revision in the system of accounting and financial reporting make provision for the publication of the annual report of the Bureau of Accounts within sixty days after the close of each fiscal year.

As has been previously intimated in this report, the Comptroller's Office should be transformed into the agency of post-audit, acting exclusively upon the authority of the Legislative Power. To what end we recommend, 1) That the President of the Republic be deprived of participation in the nomination or selection of the Comptroller's General, and that he be elected by the Congress, the two Houses meeting in joint session for that purpose; 2) That the Comptroller's General be prohibited by law from participating in the administration of any accounting procedures of the Government; 3) That the Comptroller's General be directed and required by law to make or have made a survey of the present auditing procedure of the Government and to formulate detailed specifications for the audits to be made of the books, accounts and transactions of all agencies of the National Government; 4) That all existing legislation inconsistent with the intent of these recommendations be repealed to the extent of such inconsistency.

The purpose of the audit herein suggested is to supply an external and independent appraisal and report upon the way in which Executive Power has executed the trust and observed the mandates imposed upon it with respect to fiscal transactions by the Constitution and laws, to assure the fidelity of persons administering public funds, and to provide the Legislative Power with the instrumentalities for securing full and complete information on the basis of which it may make such dispositions as it sees fit with regard to the accountability of the Executive Power in fiscal matters.

The Comptroller's Office, under the proposed reorganization and re-allocation of functions would be charged with making a complete, periodic investigation of and report upon the transactions of each agency of the Executive institution for a stated fiscal period. This audit would include a thorough investigation and verification of revenues and receipts, expenditures and disbursements, assets, liabilities, surplus and reserve. It would result in an comprehensive audit report, exhibiting the principal financial statements by fund groups, and pointing out all transactions in which there is doubt of the legality of the action taken by the agents of the Executive Power. Even in the most carefully controlled and supervised accounting system there are bound to arise instances of doubtful expenditures or incorrect allocation of fund resources, and one of the major functions of an independent post-audit is to dis-

cover and bring to the attention of Congress all such questions. Many of these will be subject to differing interpretations, but a candid setting forth all doubtful items should enable the Congress to take intelligent and constructive action with reference thereto. The audit report should also contain an estimate of the effectiveness with which the accounting records are being maintained in the organization unit whose accounts are being reported upon, since one of the purposes of government accounting is to provide a record susceptible to ready analysis and verification. Such an aid should, in effect, amount to a "clean bill of health" for the agency audited, and should in large measure take its accounts, for the period covered by the audit, out of the field of controversy. It should avoid the circumstance, noted recently in press, in which a State's Attorney sent to the Ministry of Government and Justice a recommendation that the director of an institution which received certain public funds be required to present "a complete accounting of the 15 years of his administration." This request was, as any financial officer will realize, an absurdity; no fully intelligible and satisfactory accounting of fifteen years ago can be made. If the auditing procedure is to be effective, it must be kept reasonably current; no governmental agency should be permitted to go more than two years without a thorough audit, and annual audits of all agencies are preferable. Audits, moreover, should be made of all Ministries when Ministers resign and new Ministers come in, covering the period since the previous audit, in order that such officials shall be held fully responsible for only those transactions which accrued during their period of authority.

If the auditing system is to be made fully effective, the Congress should appoint a joint Committee on Public Accounts from the two houses, empowered to sit in the interim between sessions to receive the reports of the Comptroller General, and vested with authority to act upon such reports. In the event that administrative action satisfactory to the Joint Committee on Public Accounts cannot be secured, the Committee should be empowered to instruct the Comptroller General to proceed directly, through the regular Courts, against such officials or employees in connection with the official conduct of whom the audit reports create a presumption of culpability. The Comptroller General should be provided with legal power and with adequate legal personnel to undertake such actions so acting should be vested with all the power of the attorney General of the Republic.

Our recommendations with respect to the establishment of full Executive accountability to the Legislative Power for financial transactions undertaken on the responsibility of the Executive Power are as follows:

1. The Bureau of Accounts should be required to devise and install a system of financial reporting which will provide currently to the Congress and to the general public accurate and comprehensive monthly and annual statements of the financial condition and operations of the Government;
2. The Comptroller's Office should be reorganized as the post-audit agency of the Legislative Power, and the President of the Republic deprived of participation in his nomination and selection.
3. The Comptroller General should be directed by law to make or have a survey of the present auditing procedure of the Government, and to formulate detailed specifications for the period audits to be made of the books, accounts, and transactions of all agencies of the National Government.
4. A Permanent Joint Committee on Public Accounts, representing both houses of the Congress, should be established to supervise the work of the Comptroller's Office, and to receive and act upon the audit reports presented by the Comptroller's Office.
5. The Permanent Joint Committee on Public Accounts should be authorized, in the interim between sessions of the Congress, to take such action upon the audit reports present to it as may be appropriate,

including publication of such reports and, in the event such action becomes necessary, authorising the Comptroller to proceed directly, through the ordinary Courts, against officials or employees when the audit reports indicate may be guilty of financial irregularities.

Chapter III.

PLANNING MANAGEMENT IN THE BOLIVIAN NATIONAL GOVERNMENT.

It is apparent to even the casual observation of a foreigner that, as thinking Bolivians freely admit, their country is a land of paradoxes. It has been a country of almost fantastically rich mineral resources, the exploitation of which has only accentuated the poverty of its people. Its resources in agricultural lands are probably sufficient, if intensively and scientifically cultivated, to feed the whole of South America, yet it must import most supply not only the entirety of the national market, but to permit substantial exports; nevertheless it must buy abroad much of its annual petroleum consumption. Its forest resources are liberal by any standard, and almost wholly undeveloped. It has spent large sums on railways, highways, and other forms of transportation facilities, and still has no national transportation network worthy of the name.

From the standpoint of its national standard of living, Bolivia is a poor country it does not necessarily have to remain so. The work of the American Economic Mission has two highly significant long-term lessons for Bolivia. The first of these is the urgency of attaining a balanced internal economy. The second is that the emerging imbalance of her present internal economy is not to be remedied simply by pumping more dollars, pounds sterling, pesos, or soles into the banking system at recurrent intervals by way of the foreign loan route. Such new money externally obtained must create its own means of repayment, and this requires a balancing of Bolivia's national economy.

No one planned Bolivia's present difficulties. They are here because Bolivia did not plan soon enough to absorb the gifts of her national resources, and the effects of modern scientific and technological development, without too great waste and shock to her national economy. Bolivia's planning must necessarily come late, but unless she is prepared to be content with a position far in the rear of the twenty-one enterprising and progressive Republics of the Western Hemisphere, planning must come.

The President of the Republic is the only officer of the Government who bears a mandate from the whole people. He is the only representative of all Bolivia. If comprehensive plans are to be undertaken for the development of the national resources of Bolivia for the benefit of the whole of Bolivia--for the benefit of the rich, the poor, and the middle class, the Beni, the Chaco, the Altiplano and all the rest of Bolivia--those plans will be developed on the initiative of the President, not upon the initiative of the Congress or of private interests. The history of the Republic is replete with the white corpses of noble plans which have been wrecked upon the claims of sectional and special interests. The President is the only statesman in Bolivia who is above these interests. The President must accept the responsibility for stimulating and coordinating the planning process--in short, for planning management in Bolivia.

Planning consists in the systematic, continuous, forward-looking application of the best intelligence available to programs of common affairs in the public field, as it does to private affairs in the domain of individual activity. It is literally as simple as that. In every well-directed home, in every business, in every agricultural or labor group, in every forward-looking organization, social planning goes on continuously, and in the domain of government there is an especially significant opportunity for its exercise.

The objectives of national planning in Bolivia are nowhere better stated than in the Constitution itself. Article 106 reads as follows: "The economic order must provide the essential foundations of social justice, which must assure an existence suitable for human beings for all inhabitants." This broad statement of national aims provides the general background in which national

policies may be set, and assures that Bolivian planning can be fully brought about within the framework of the Bolivian Constitution, the democratic system of government, and an evolutionary system of social and economic progress.

Planning is not alone a matter of organization, mechanics, statistics, maps, analyses and programs. It must rest upon a set of general understandings, upon values to which the Bolivian nation is devoted, and for which it is willing to sacrifice lesser values. The general understanding upon which Bolivian democracy rests is that the happiness and welfare of the people are paramount, and that special privilege and personal ambition are subordinate to the larger national purpose. It assumes that the gains of civilization are mass gains, and should be enjoyed by the whole people who created them, rather than by special classes or persons. The Bolivian Government was set up for this purpose, and national planning by the Government will naturally be directly towards this end. Ways and means of attaining the goal vary from time to time, but the general aim and purpose of the national endeavor is clear enough. Naturally, the notion of what justice is, or what constitutes the general welfare, or what the essentials of liberty are, change with the changing conditions under which human beings seek their individual and collective destinies, but the general goal is clear and the main direction of effort unmistakable.

The potentialities inherent in the development and expansion of Bolivian agriculture, forestry, and livestock culture, and in increased industrialization should make it possible to elevate the standard of living to heights which have hitherto been undreamed of in the history of the country-provided Bolivia is able to develop the necessary social attitudes and arrangements to insure the just participation of the whole people in the gifts of nature, science and technology. The idea of social justice which looms so large in Article 106 of the Constitution does not relate to production alone, but to a way of life in which the masses of the national community enjoy their share in the gains of our civilization. Liberty in any social system must be read in its necessary relation to the common welfare, for liberty which does not promote the common welfare and social justice is a paradox of words, and a travesty upon its own fundamental import.

No one needs to doubt that statesmanlike national planning can produce substantial progress towards the goals which Bolivia has formulated for herself in broad and general terms. The strides in planning and development which a single agency, the Bolivian Oil Production Monopoly, has made and is currently achieving, should resolve any doubts that the Bolivian Government can plan and can achieve practical results from that planning. The application of comparable effort and techniques to agriculture can multiply agricultural production many fold, can provide for national consumption of that production, can promote soil conservation, and can go far towards developing the type of agricultural heritage which will make the Bolivians a rich and prosperous people both now and in generations to come. Planning can prevent the future recurrence of the wastes which have arisen in the past, due to conflicting policies and interests with respect to mining, transportation policies, and industrial development, and the still more tragic wastage of human material through inattention to the protection and security of productive labor.

In moments of world unrest, when conditions beyond its control are disturbing profoundly the already unbalanced internal economy of Bolivia, the possibility of creating a fine and rich life for the mass of the people may seem a mocking unreality. But the sober fact is the reach of Bolivia if she can organize and act to make possession of it. What stands between present Bolivia and the realization of its national aspiration for a better life for its people are only three factors: (1) its own attitude; (2) the technological and administrative ability and the energy and application of its people; (3) its social and political management.

There is every reason to believe that the stream of scientific invention will, in the next generation, outstrip everything that has been accomplished to date. If statesmanship can keep pace with science, the new world may well become a marvel of human achievement. It is not Bolivia's resources which fails it, but its ability to exploit those resources in ways which contribute most to social justice and the general welfare. The sober facts of science and technology, the

cold engineering figures expressing Bolivia's production potential, which the experts of the American Economic Mission have developed, show what might be done if skepticism, selfishness, timidity, complacency, and confusion do not paralyze the country's leadership the face of the incredible richness of its present opportunities.

Several considerations are important in looking at plans for planning:

1. The necessity and value of coordinating national and regional policies, instead of allowing them to drift apart, or pull against each other, with disastrous effects. The history of transportation in Bolivia is an object lesson fully in point.
2. The value of looking forward in national life, of organizing preventive policies as well as remedial, of avoiding dangers rather than reconstructing after catastrophes.
3. The value of basing plans upon competent analysis of all the relevant facts.

It is important to note that not all planning can or should be national planning. Regions and localities have an important contribution to make to the process of attaining human consent, which is the essence of planning. The centralization of all planning in La Paz is impossible, and even if possible would not be desirable, since planning is an attitude and a practice that must command the confidence and cooperation of wide groups of people to ensure successful operation, must come from the bottom up as well as from the top down, must come from the circumference as well as from the center. As has been noted in another place, the long-term development of the national resources of Bolivia require coordinate and consistent executed programs on the part of many agencies of the National government, of financial institutions, development corporations, and other semi-public agencies, as well as the cooperation of private agencies and individuals. It may reasonably be anticipated that many of the most useful suggestions regarding types of planning will emerge from agencies outside the National Government, and perhaps from industrial and scientific associations, associations of individuals, detached individuals, and other sources outside of government altogether. Planning, then, does not involve the preparation of a comprehensive blueprint of all human activity, to be clamped down like a steel frame upon the soft flesh of the community, by the National Government, by the municipalities, or by any other agency of government.

Planning, moreover, does not involve setting up a fixed and unchangeable system but on the contrary, contemplates readjustment and revision, as new situations arise and new problems emerge. Planning is a continuous process, and necessitates the constant reexamination of trends, tendencies and policies, in order to adapt and adjust governmental policies with the least possible friction and loss. In this respect, resources planning is little different from the planning of military operations, since every good plan of military operations contains within itself schemes of adjustment and revision if the enemy fails to conduct his own operations in other than the anticipated manner. The national life is like a moving wave in which a new equilibrium must constantly be found as it sweeps forward. Even purely physical planning is subject to continuing revision as new factors, such as the motor vehicle and the freight aeroplane, appear and supersede old ways. Resources planning, in the broader sense of the term, is likewise subject to change as new elements come in to disturb earlier calculations. Stubborn adherence to an outworn plan is not intelligence, but stupidity, whether in the life of an individual or a nation. Prudence would, of course, dictate that reasonable stability should not be endangered by capricious or arbitrary shift of plans, but would with equal force insist that policies must be promptly modified as emerging trends and new situations present clear evidence of the necessity for their recasting.

Sound planning, contrary to a considerable body of frenetic opinion on the subjects, does not lead to the regimentation of private life and affairs. On the contrary, it brings about a broadening rather than a narrowing of opportunity and choice. The man driving a motor car over a well-planned and regulated highway, with traffic policemen posted at appropriate control points, is for practical purposes much more free than if streets were unplanned and traffic unregulated. Laws regulating speculation and unfair trade practices release the energies of honest

energies of honest and fair-minded men for activities other than that of guarding themselves against fraud and trickery.

Regimentation is not theory but a brutal fact in many aspects of private life in Bolivia today. The modern type of nation was set up in order to break down the old private or semiprivate controls over justice, taxation, etc, and to establish public and national control over situations that became unendurable. In modern times, a business man or an individual consumer may be absolutely regimented by a ruthless monopoly, just as an individual worker may be helpless against terms dictated by an employer. Such practices constitute private regimentation, often of an oppressive character, unless the community sense of social justice bring about governmental defense against tyrannical exercise of private power. This, in fact, is the essence of existing governmental regulation of the price of articles of prime necessity in Bolivia today--the protection of the individual against the tyrannical use of the power which international events have put in the hands of a relatively small segment of the business community.

In fact, many of those who cry "regimentation" whenever public planning is mentioned foresee interference with their own practices of private regimentation and exploitation of otherwise helpless persons under their private control. Those with special privileges to protect and preserve naturally object to any public planning that may dislodge them from a preferred position where they are able to exact tribute from their fellow men. Their fears of national resources planning in this respect, it may be remarked, are thoroughly grounded.

The truth is that it is not necessary or desirable that a central system of planning attempt to cover all lines of activity or forms of behavior. Such planning overreaches itself. Wise planning provides for the encouragement of local and personal initiative, realizing that progress may as easily be smothered by overcentralization as by its opposite. Not all government can ever be central government, or all life public life. There must be wide ranges of affairs in which independent criticism, independent judgment, and independent initiative is given opportunity for free growth. One of the recurring tasks of statesmanship is to cultivate and encourage decentralization. Genuine planning, it must not be forgotten, really includes planning to preserve and even create non-controlled areas of activity, as well as planning for control of areas that must be controlled. Planning is not an end, but a means. It is a means for better use of what we have, a means for emancipation and realize of personalities now fettered, for the enrichment of human life in ways that will follow individual interest and even individual caprice.

The development of the national resources on the basis of wise planning is predicated upon governmental control of certain strategic points in a working system--those points necessary to ensure order, justice, and the promotion of the general welfare. It involves continuing reorganization of this system of control points, as parts of the plan are realized and as underlying circumstances change. The number of controls is not as important as their strategic relations to the operation of the society in which they work. At various times, for example, the Bolivian government has found it necessary to deal with landowners, with the Church, with the Army, with the oil interests, with racial groups, with vendors of articles of prime necessity, etc., adjusting its control points to meet special situations, and restricting privileges at one point while rearing forces and initiatives at other points.

The essence of successful planning is to find these strategic control points as new situations develop, to suggest shifts in the form of control and the area of control and the area of control without too great delay, and to guard against the setting of more points than are necessary for the purpose--or for longer periods than are necessary for the purpose.

A totally unplanned nation is as impossible and undesirable as a totally planned economy. The choice is not between anarchy on the one hand and complete control over all aspects of private behavior on the other. A sounder way, between these extremes, is still open in Bolivia. Human association may still be organized, and social controls may still be planned and exercised, in a way that will expand the area of individual initiative and enterprise, consistently with the

traditions of the Bolivian people.

To meet his responsibility with respect to planning management in Bolivia, the President needs technical assistance and expert, broad-gauged, non-political analyses and advice. We propose that an Office of National Resources Planning be set up in the immediate office of the President of the Republic, to operate under his direct supervision and direction in studying, analyzing and making recommendations concerning the development of Bolivia's national resources, and in stimulating and coordinating planning efforts throughout the National Government and throughout the Republic.

We suggest as a measure of economy and efficiency that the various statistical and special data-analyzing units in the several Ministries be suppressed, and their functions transferred in toto to the Office of National Resources Planning. While statistical data and measurements are only one type of information, and represent only one type of analysis, with which the Office of National Resources Planning will be required to deal, they represent at the moment the most important source of knowledge of the resources of the Republic. It is highly important that the data-gathering resources of the various Ministries continue to be utilized to the maximum extent in cumulating the basic facts, statistical and other, which will be subjected to arrangement and analysis by the Office of National Resources Planning, and the President would, therefore, be required to prescribe in detail, from time to time, the data which should be accumulated in the various Ministries. The Office of National Resources Planning would, of course, supply the various Ministries with such routine statistical data and compilations as are essential to the administration of the Ministries and their dependencies, and would, at their request, undertake special studies and analyses.

The Office of National Resources Planning should be under the immediate control of a Director, appointed by the President of the Republic. He should be primarily, one in whom the President has complete confidence, and should have a comprehensive acquaintance with Bolivia and with the resources, natural and human of Bolivia. He should be practical but progressive, and amenable to new ideas. He should, above all, have a profound patriotism and an abiding faith in the future of Bolivia.

To assist the Director, and to exercise direct supervision over the technical work of the Office of National Resources Planning, a permanent secretary should be employed. The qualifications of this permanent employee would be primarily technical; he would be a professionally trained and qualified expert in the field of resources planning. It would undoubtedly be necessary to select a generally qualified person for this position and to send him abroad, to Brazil, Mexico, and perhaps to the United States, for a period of eight or nine months of intensive study of over-all planning procedures and techniques, since great strides in resources planning have been made in these countries in recent years, and new and highly interesting planning methods developed.

The Office of National Resources Planning should be staffed by permanent, professional scientists of the highest quality obtainable. Its work cannot be confined to the mere collection and arrangement of data, but to be of use to the President and his Ministers the data must be subjected to searching and competent analysis. Economists, engineers, geographers, miners, agricultural, financial, industrial, commercial and population specialists must make up the top professional staff of the unit. They must, in addition to professional competence, have a critical outlook towards their work; they must realize that they are engaged in providing the underlying data and evaluation for definite programs of action, not for mere academic exercises. At the same time, they must guard against the premature production of findings and recommendations. The proposed Office of National Resources Planning is a scientific organization par excellence. It should appeal strongly, if organized on a career basis, to the best brains and finest national loyalties that Bolivia has produced or will produce.

Equally important to the Office of National Resources Planning as to the National Budget and Efficiency Office is the possibility of drawing into its work, on either a long-term or short-term basis, especially qualified people from other agencies of the government, and men from industry, commerce and the professions for

for special consultative and advisory assignments. This authority should be specially included in the legislation setting up the Office, of National Resources Planning, and adequately elastic budgetary provisions should be made to facilitate such transfers and the retention of such special consultants.

We recommend that the Office of National Resources Planning be organized, in addition to the executive office which has already been described, as follows:

Demographic Section: This section should, under projects developed by the Director and approved by the President of the Republic, be charged with the development of comprehensive data regarding the population of Bolivia in all its collective aspects--births, deaths, marriages, divorces, religion, age distribution, race, disease and morbidity, housing, occupations, immigration, emigration, internal migration, differential fertility, education, earnings, crime and delinquency, dependency, consumption, living standards, recreation, and the multitudinous other aspects of population science which contribute to an understanding of the character and composition of the population and its physical, social, economic and political needs.

Finance Section: This section should be charged with providing information and analyses concerning all phases of money and banking, savings, insurance, export and import balances, public expenditures, public and private debt, taxation, amount and distribution of the national income, credit distribution and use, and similar aspects of the financial conditions and operations, public and private, in Bolivia.

Commerce and Industry Section: This section should be charged with maintaining comprehensive data and analyses concerning industrial production and production costs, industrial and commercial employment, industrial techniques and methods, technological changes in industry, industrial structure and organization, construction, transportation, marketing and distribution, labor and labor costs, price movements, foreign markets, importations and exportations, scientific inventions and their commercial and industrial implications, and the various other types of data essential to the understanding of the commercial and industrial life and possibilities of Bolivia.

Mineral Resources Section: This section should be expected to provide a continuing analysis of mineral and petroleum operations and production in Bolivia in all of their economic and social aspects, including cost of production, present and prospective local and foreign markets, labor supply and labor costs, earnings and profits and the disposition thereof, exploitation trends and possibilities, and similar information requisite to a thorough knowledge and understanding of the mineral resources of the country.

Transportation Section: This section should be charged with providing information concerning available rail, highway, water and air transport facilities and operations, immediate and long-range transport needs, comparative transport economics of transport development, and other data required to develop plans for the integration of the transport system of Bolivia.

Agriculture Section: This section should be responsible for the development and analysis of comprehensive data covering all phases of agricultural and livestock production and consumption, production and construction potentialities, production costs, present and required types of agricultural production, agricultural markets, agricultural imports and exports, forestry and forest products, land use, agricultural credit, agricultural marketing and distribution, rural sociology, and other information necessary for a stable and permanent program of agricultural expansion in Bolivia.

The President and the Office of National Resources Planning should be assisted by a National Resources Council of three or five members, appointed by the President of the Republic to serve at his pleasure. The personnel of the Council should bring together insight, experience, and judgment in the analysis and interpretation of national planning policies, skill in the invention of ways and means of utilizing the national resources of materials and men, and social vision in the fusion of Bolivian interests, techniques and ideals into sounder and more satisfactory

national policies. They should, of course, have a profound interest in national planning and faith in the future of a planning and purposeful National Government. They should be compensable upon a per diem basis while actually in session adequately to justify the diversion of their attention from their personal affairs; the type of man suitable for membership on the Council is not likely to be found among those with considerable leisure for gratuitous service to the government. Above all, appointments to the Council should be on the basis of the ability of the individual to contribute to the planning of the nation's resources. It would be a great tragedy if the Council should become an ex officio group going through merely pro forma operations.

The National Resources Council should function as a board of strategy to advise the President and the Office of National Resources in the Planning of the development of Bolivia's resources. It cannot be too strongly emphasized that the function of the proposed Council is not that of making final decisions upon broad questions of national policy- a responsibility which rests and should rest firmly, within their respective spheres, upon the President and the Congress.

The Office of National Resources Planning and its National Resources Council are analogous to the General Staff of the Army. They are instrumentalities of planning and strategy. They cannot be placed in the line of command and function effectively, and should not be authorized to issue orders to anyone. They should therefore, not be involved in special administrative responsibilities which properly devolve upon the appropriate Ministry or other agency of the government set up for that purpose. Such an agency is useful in proportion as it is detached from immediate political power and responsibility.

The Office of National Resources Planning and its National Resources Council should serve as an advisory agency, gathering and analyzing relevant facts; observing the interrelation and administration of broad policies; proposing from time to time lines of national procedure in the development and husbanding of national resources, based upon thorough inquiry and mature consideration; constantly preparing and presenting to the Executive Power its findings, interpretations, conclusions and recommendations for such final disposition as those entrusted with responsibility for governing may deem appropriate.

Our recommendations with respect to the management of national resources planning are as follows:

1. That an Office of National Resources Planning be established under the immediate direction and control of the President of the Republic, charged with gathering and analyzing relevant facts; observing the interrelation and administration of broad policies; proposing from time to time lines of national procedure in the development and husbanding of national resources, based upon thorough inquiry and mature consideration; constantly preparing and presenting to the Executive Power its findings, interpretations, conclusions and recommendations; that the Office be given no administrative duties or responsibilities.
2. That existing statistical and fact-analyzing agencies in the various Ministries and their dependencies be suppressed, and their functions transferred to the proposed Office of National Resources Planning.
3. That the Office of National Resources Planning operate under the general supervision of a Director, appointed by the President to serve at his pleasure, and under the immediate control of a permanent administrative officer, the latter appointed from and serving in the career service; that the Office of National Resources Planning be staffed by permanent, professional scientists of the highest order attainable; that adequate provision be made in the law and in the budget for the transfer of career personnel from other agencies of the Government in special assignment to the Office of National Resources Planning, and for the employment of special consultants from industry, business and the professions for temporary advisory or consultative services, under

the general terms and conditions which have been outlined for similar actions by the National Budget and Efficiency Bureau elsewhere in this report.

4. That a National Resources Council be established, to consist of three or five men appointed by the President of the Republic to serve at his pleasure; that this Council function as a consultative and advisory group to the President of the Republic and the Office of National be compensated liberally upon a per diem basis for days actually in session; that the Council be given no administrative duties or responsibilities.

Chapter IV.

INFORMATIONAL SERVICES AND PUBLICITY IN THE NATIONAL GOVERNMENT

Napoleon Bonaparte, whom history recalls as a great militarist, but hardly as a great democrat, was realist enough concerning the type of social organization implicit in his authoritarian philosophy to admit that, "All governments, special occasions apart, must rest if not on the active consent of the governed at least on their silent acquiescence". In a democracy, where the continuing consent of the governed is the acid test of the Government's success, the provision of an effective base of fact and information upon which the governed can determine their consent or their dissent, their acquiescence or their opposition, becomes an essential element of the democratic process itself, and should constitute a major concern of rulers whose aspirations are truly democratic.

What are the functions of Government informational services and publicity in a democracy? Formerly it was believed that the Government should comply only with the legal minima prescribed by law and should maintain no positive facilities for reporting current information directly to the public. It was believed, also, that it should maintain no facilities for defending itself against attacks by special interests and group grasping for power.

This concept has changed a great deal during the last few years. Several factors have entered into the situation to bring about a change. The growing size and complexity of the public service has brought about a tremendous increase in the role played by the chief executive of the State, for as the public service has increased in size and complexity, the task of leadership has become more difficult and more important. Another factor which has tended to change the former concept is the need for aggressive, active government, capable of moving quickly to deal with emerging problems. Still a third factor is the change in the concept of democracy. It is important that all the people be reached with information on the activities of their government. No longer is it practicable to govern by influencing scattered groups- government must go to the roots for its power, to the mass of citizens for approval of its policies.

In a modern democracy the chief of state must stand out as a leader, and carry his message to the people, if he is to gain popular support and approval for the plans, policies, and programs of his administration. A fundamental necessity, of course, is that there are predetermined and announced goals. The chief of state should prepare the public mind for his actions by demonstrating the need for action and the road to be followed. If the need for action can be interpreted to the public and consent gained for the objectives, the processes of democratic government are thereby implemented. The broader the base of public understanding the greater is the public acceptance and support of the announced objectives. Continuous and systematic attention is also necessary in informing the public of the progress that has been made, and reporting on the work of the administrative organization directed by the chief of state.

Public reporting is of several types. The objective of some publicity is simply to stimulate the interest of citizens in public problems and programs. Such reporting includes popular explanations of scientific or technical equipment or processes utilized by the government and is not designed to produce any action or decision. Its chief motive is to get the public interested in what the government is doing. A series of articles or radio discussions relating to the work and equipment of the laboratory in the Bureau of Mines and Petroleum would be of this type of publicity.

Another kind of reporting appeals to members of the public in their role as consumers of Governmental services and its objective is to encourage the greater or more discriminating use of these services. Publicity encouraging the use of hospitals and clinics maintained by the Public Health Service, as a means of controlling disease, would be of this type.

A third kind of reporting is designed to secure public cooperation in the administration of public policies and programs. Here the citizen is appealed to as a co-worker with the government. Included in this class of reporting are publicity materials prepared to promote public participation in a program, such as inviting citizens to report any cases of prime necessities being sold in excess of the schedule of maximum prices established by the Ministry of National Economy.

Still other reports and publicity materials appeal to citizens as the ultimate source of public policy and seek to provide information on the basis of which citizens can make decisions on specific Governmental programs. Whether the program of public education is to be expanded, diminished, or maintained at its present level should be a question for the people to decide and make known to their elected representatives, so that the national budget reflect their wishes.

Finally, there are reports which seek to provide the citizen with information that will enable him to appraise the government; to formulate judgment concerning how well or how badly certain government services are functioning. It may be that inefficiency or inattention on the part of some governmental units will be largely corrected by the release by the government itself of reports or statistics indicating conditions.

There is, of course, no clear cut distinction between these different objectives. The ultimate aim of all reporting should be to produce a more interested, more informed, more cooperative citizenry. Only thus are the aims of the government advanced and the process of democracy improved.

Providing information on the basis of which citizens can make decisions on policy matters is necessary in a democracy, but a corollary of this necessity is the need for officials who have a professional outlook on their work, who are concerned with what the public wants, and who are responsive to expressions of public preference. Public reporting and a career service for public employees go hand in hand. It is not enough to establish a public reporting system. More important are the motives which actuate the reporters, the effectiveness of the means of communication used by the reporters, and the relationships between citizens and the public service induced by the reports.

The obligation for reporting is imposed on the President by Article 10, Section 93 of the Constitution where he is enjoined: "To present annually to the Congress in the first ordinary session a written message concerning the course and a state of the administration's activities during the year, accompanied by reports from the Ministries."

This, however, is a legal requirement that has little relationship to the realities of reporting directly to the public, which the rapid movement of public affairs and the ease of communication in modern times necessitates. There is no consistent, systematic effort made in Bolivia to keep the public informed of the work of the public service and interpreting the significance of steps contemplated or accomplished.

The Propaganda and Press Section in the Ministry of Government is making a wholly inadequate attempt to maintain a sort of government news service. Its efforts to maintain a file of newspapers and periodicals from all parts of the Republic is ineffectual, since it must depend upon certain local and provincial officials to supply them and it has obtained little cooperation in the regard. It also sends daily to the local and provincial officials information "about the most important aspects of the national administration, notable acts of political, social, financial, industrial, and cultural activities, in such a manner that the whole Republic has the most complete possible summary of these developments in the national capital." This is an ambitious undertaking for a section staffed with two employees, a section chief and a stenographer, especially in view of the fact that there is no comprehensive system of collecting and analyzing administrative reports. The chief reason, of course, that there is no such system is that there do not exist in the Ministries the basic records needed to produce satisfactory reports. Production and performance records, as recommended in another section of this report, are not maintained. Very few section heads report monthly to the Minister, in summary form, the work, progress, accomplishments, or problems

of their respective sections. The Minister, without this data, have little current knowledge of the status of work in the sections of the Ministry and are therefore unable to supply the President with precise, current, summary information on the various aspects of Ministerial administration. As a consequence of this situation, the President must **remain** uninformated of the broad outlines of progress, and must depend on special investigations and reports with regard to individual problems as they arise. Some of these problems, no doubt, could be resolved before they reached bottom to the top of the administrative structure. The development of the Bureau of Accounts, the National Budget and Efficiency of Office, and the Office of National Resources Planning, recommended elsewhere in this report, would to some degree improve the situation as regards reporting and publicity concerning financial, statistical and planning operations, but work reports should also be developed in the Ministries. The establishment of these three services would in part supply the President with the basic data with the needs for the management of the public administration. In addition, the establishment of a National Office of Personnel would require that its operations and **policy** be interpreted to the public and to the mass of public employees, the spotlight of publicity must play over the activities and procedures of this Office until Public **confidence** in its operation is firmly established. The competitive examination announcements can also be publicized by the Office of Propaganda.

To obtain information from the three Offices heretofore proposed, and from each of the Ministries, in order that the President may be supplied with a fact-gathering and fact-interpreting agency, it is suggested that an Office of Propaganda be established as the fourth, and last, new agency in the Presidency. The Propaganda and Press Section should be abolished and its functions transferred to the proposed Office of Propaganda.

The heart of the Office of Propaganda should be the Information Section which would be the central unit in the Government for collecting, collating, and interpreting information on the activities of the Government and reporting on all phases of administration. It would be the function of this section to prepare periodical reports for the President and to convert administrative, technical, or scientific information supplies by Government agencies into a form adaptable for popular presentation. For this purpose it would have to be staffed by a high grade personnel which had a sense of news and a knowledge of the elements of popular appeal. Three small specialized sections would have charge of arranging for the presentation to the public of information collected and collated by the Information Section. These would be the Press Section, the Radio Section, and the Motion Picture Section. Utilizing the techniques and practices peculiar of these three media of publicity, the accomplishments and **prom**osals of the administration would be given wide circulation throughout the Republic. The successful operation of these sections should provide one means of breaking down sectional differences and promoting national unity. Needless to say, these sections, like others in the Office of **propaganda**, should be staffed by employees with progressive experience in the newspaper, radio, and cinematic fields; they should know the types of approaches to public interest and should continuously study the reaction of audiences to their presentation in order to improve its effectiveness.

The Liaison Section could be available to the Ministries and Offices in attempting to improve their reporting methods. Reliable statistics and administrative data are the foundation for a public reporting system. It would be the function of this section to build up a system of administrative reporting within each Ministry that would provide an over-all view of the progress and achievements of the Ministry for the information of the Minister, the President, and for use by the Information Section in reporting to the public. The staff for this section would need to have quite different qualifications than those of the other four sections. The employees in the Liaison Section should be **specialists** in the design, measurement, and analysis of work units. In connection with production and performance standards they would work in cooperation with the National Office of Personnel. In connection with publicity program of the accounting, statistical and planning operations of the Government, they would be in a position to assist the Bureau of Accounts and the Office of National Resources Planning. **But their primary function** would be to develop within all Ministries a comparable system of work and progress reporting for the use of the President, the

ministers, and the public.

The Office of Propaganda should be headed by a Director, appointed by the President. As well as directing the work of the Office he should constitute a source of advice for the President on all matters of public relations, Publicity, and reporting. To assist him there should be a permanent secretary, appointed as a result of competitive examination who should be a member of the career service. The permanent administrative officer should have practical experience in publicity and information and the imagination to utilize most effectively the media of press, radio, and cinema. He should, most of all, be honest and objective, and consumed with a passion for accurate and forthright reporting.

For the Office of Propaganda to function effectively, it must establish a reputation for honesty and reliability. It cannot be prostituted to political or factional ends and remain honest and reliable. It cannot devote itself to placating and conciliating the venal press, from which Bolivia is by no means free, and yet command the respect of those honest and uncompromising publicists, for a reasonable number of which Bolivia has true cause to be thankful. In the main, the Office of Propaganda must be left at liberty to interpret the administrative, as opposed to the political, aspects of Governmental operations to the people of Bolivia and to the world at large.

The President and the Director of the Office of Propaganda should be assisted by a Council of Propaganda, composed of outstanding Bolivian citizens and publicists who have a real interest in adequate, accurate and truthful Governmental reporting and publicity. The function of this Council should be a purely advisory one; it should inform and assist the President and the Director in the formulation of Government publicity policies, and should keep the Director currently informed of trends and developments in publicity methods and popular tastes, so that the publicity program of the Government can be kept abreast of developing techniques in the press, in the radio, and in the cinema. It would be available to advise the President in the presentation of problems of public policy to the Nation, so as to elicit understanding and an intelligent expression of public opinion, or positive public consent and approbation. It should, moreover, seek to guide and guard the Government publicity program against partisanship, against excesses, and against any habits of thought and action which would tend to impair the honesty and reliability of Government publicity in the popular mind. Such a Council of fair-minded and honestly interested citizens can serve a truly important public service in Bolivia in guiding and directing along constructive lines the National program of Government publicity and information.

Our recommendations with respect to publicity and information in the National Government of Bolivia are as follows:

1. That a National Office of Propaganda be established in the Presidency, under the general supervision of a Director of Propaganda appointed by the President to serve at his pleasure.
2. That the Press Information Section in the Ministry of Government be abolished and its functions transferred to the proposed National Office of Propaganda.
3. That the national Office of Propaganda be organized, under the immediate supervision and control of a permanent administrative officer chosen by competitive examination as a member of the career service, in the following sections:
 - a. Executive
 - b. Information
 - c. Press
 - d. Radio
 - e. Moving Pictures
 - f. Liaison
 - g. Records and Analysis

4. That the proposed National Office of Propaganda be staffed by highly competent experts in the fields of press, radio and cinema publicity and public reporting, chosen by competitive adequately compensated at competitive rates, and that they be accorded pensions in case of disability or superannuation.
5. That a Council of Propaganda, composed of five members, be named by the President to serve at his pleasure. This Council should be compensated upon a per diem basis for days actually in session. It should advise and assist the President and the Director in the development of Governmental publicity policies, assist in keeping the Governmental publicity programs abreast of trends in the various publicity media, and advise in directing the publicity program along lines designed to secure and maintain public confidence and esteem.

CHAPTER V

ADMINISTRATIVE REORGANIZATION OF THE NATIONAL GOVERNMENT OF BOLIVIA

INTRODUCTION

The primary purpose of a rational reorganization of the administrative agencies of the Executive Power is to reduce to a manageable compass the number of organization units with which the President and his Ministers must deal in effectuating the policies of the National Government.

The Constitution of Bolivia sets up no administrative organization for the Government. The whole matter of the executive power, from the structural point of view, is dealt with in a few brief phrases. First in importance is: "The Executive power is exercised by the President of the Republic jointly with the Ministers of State." Reference is also made to the Army, and the Constitution provides that: "The rank of Captain General of the Army is inherent in the functions of the President of the Republic." The establishment of ministries is inferentially contemplated by the provision that: "The functions of the public Administration are discharged by the Ministers of State, whose number is determined by law." In another place the President alone is charged with the duty to: "Execute and assure compliance with the laws." It is provided also that the President shall: "Administer National revenues and arrange their expenditure through the proper agency in accordance with law and in strict compliance with the budget," and "Present annually to the Congress the proposed budget for the ensuing fiscal period, and an account of the expenditure of funds in conformity with the previous budget." The remainder of the sections dealing with the President and the Ministers of State are primarily concerned with their political, rather than administrative functions, and especially their relations to the Legislative Power, their role in international affairs, etc.

The administrative organization of the Government to implement the exercise of the Executive Power rests, there are, mainly upon statute law and upon decrees made and is used in accordance with very broad Constitutional provisions or in pursuance of statutory prescriptions. While new activities of Government have, in the main, been assigned to the jurisdiction of specific ministries, the administrative organization of the Ministries has now become so fragmented that the subordinate units within the Ministries cannot, for practical purposes, be supervised and controlled by either the President or the Ministers, and coherency of policy and administration is often defeated by the sheer multiplicity of units which must be dealt with. With the establishment of the Council of Education, moreover, a new and headless "fourth branch" of the Government was inaugurated, and an unfortunate and unworkable administrative experiment launched.

A careful examination of the structure of the Executive branch of the National Government shows the following facts, as reference to the descriptive materials in Part III of our report clearly substantiates:

1. The structure of the Government throws an impossible task upon the President and his Ministers. No man or group of men can possibly give adequate supervision to the multitude of sub-units which have been set up to carry on the work of the Government, nor can they coordinate their activities and policies.
2. The normal managerial agencies designed to assist the Chief Executive in his tasks of planning, coordinating and managing, which are absolutely essential in any large-scale undertaking, are greatly underdeveloped or, in many cases, completely lacking.
3. The responsibility of the President and his Ministers for the exercise of the executive power is impaired through the multiplicity and confusion of subordinate agencies which makes decisive action impossible.
4. The Council of Education, under whose direction the most important single service program of the Government is conducted, constitutes a headless "fourth branch" of the Government, effectively responsible to no one, and impossible to coordination with the general policies and work

and work of the Government as determined by the people through their duly elected representatives, the President and the Congress.

5. Owing to the multiplicity of agencies and the lack of administrative management there is waste, overlapping, and duplication, which may be eliminated through coordination, consolidation, and proper managerial control.

These are the major features which stand out clearly in any examination of the structure of the Executive Branch of the National Government.

From these factors many obscure difficulties and problems flow. Among these is the time and energy which have been wasted for many years because of jealousies, vacillating policies, and jurisdictional disputes among Ministries, Directors General, and Section Chiefs as to who should control particular activities. The people of the country have held the President responsible for failing to settle these internal quarrels, although under existing circumstances about the only means the President has at hand for deciding such issues is by changes of Ministers, which is a drastic remedy and one which has little permanent effect on the problem.

Another difficulty is found in the lack of coordination of the work of the regional subdivisions of the Ministries and their dependencies. At the present time there are almost no provisions for cooperative action by the local representations maintained by the several Ministries, and in some Ministries even the local representations maintained by the dependencies of the Ministries are totally uncoordinated. From the standpoint of the citizen, this does not provide satisfactory service or even make good sense. Government should, of course, be carried to the people through the decentralization of the La Paz Ministries, partly to make it responsive to their needs and partly to keep it from becoming distant and bureaucratic, but this decentralization need not be chaotic and conflicting, as it now is, provided it is properly integrated at the center and subjected to over-all management.

The method of decentralization of necessity will vary from Ministry to Ministry and from activity to activity within the Ministry. A general principle that may be laid down is that the decentralization should be geographical, that more of the work of the Executive Power should be carried on in departmental and sub-departmental field units set up to cover all parts of Bolivia, and that the activities so decentralized should be effectively integrated at the level of field operation. In this way, the La Paz Ministries will be brought nearer to the people themselves and the Government will be able to cooperate to greater effect with the departments, municipalities, and other local interests in the more intelligent and tolerant solution of local and national problems.

Substantial geographical decentralization will also diminish the waste of time and money, to say nothing of the patience of the people, entailed by excessive centralization of administrative activities in La Paz. At the same time, it offers the opportunity of lessening the insensitivity of the bureaucracy by bringing the persons who actually administer in detail the work of the National Government into touch with the people whom they serve in their own communities. Properly administered, moreover, such a plan should help in insulating the executive power against excessive influence by temporary and oftentimes manufactured waves of "popular" sentiment, since it is difficult to manufacture a wave of sentiment covering the entirety of the Republic.

The safeguarding of the citizen from bureaucratic indifference and narrow-mindedness is one of the primary obligations of democratic government. It can be accomplished only by so centralizing the determination of administrative policy that there is a clear line of conduct laid down for all officialdom to follow, and then by so decentralizing the actual administrative operations that the Government servant remains himself a person in touch with the people and does not degenerate into an isolated and insensitive bureaucrat.

To meet these conditions and to make and keep the Government thoroughly up-to-date, we make four principal recommendations, as follows:

1. Provide for seven homogeneous and manageable Ministries, through the abolition of the present Ministry of Government and Immigration, and the present Ministry of Agriculture, and through the logical extension of the Government corporation principle to the several Governmental activities to which such form of organization and administration is properly applicable.
2. Fix upon the President of the Republic the responsibility for determining the appropriate assignment of the seven Ministries all activities of the Government other than those of the President's office itself, and the continuing responsibility for the maintenance of the effective division of duties among the Ministries.
3. Equip the President with the essential modern arms of management in budgeting and efficiency research, personnel, planning and propaganda, and control over the National Police, and establish the Office of the President as an integral repository of the management functions of the National Government.
4. Implement the principle of Executive accountability to the Congress through the development of an effective independent postaudit of financial transactions, through effective financial reporting, and through the simplification of the confusing structure of the Government.

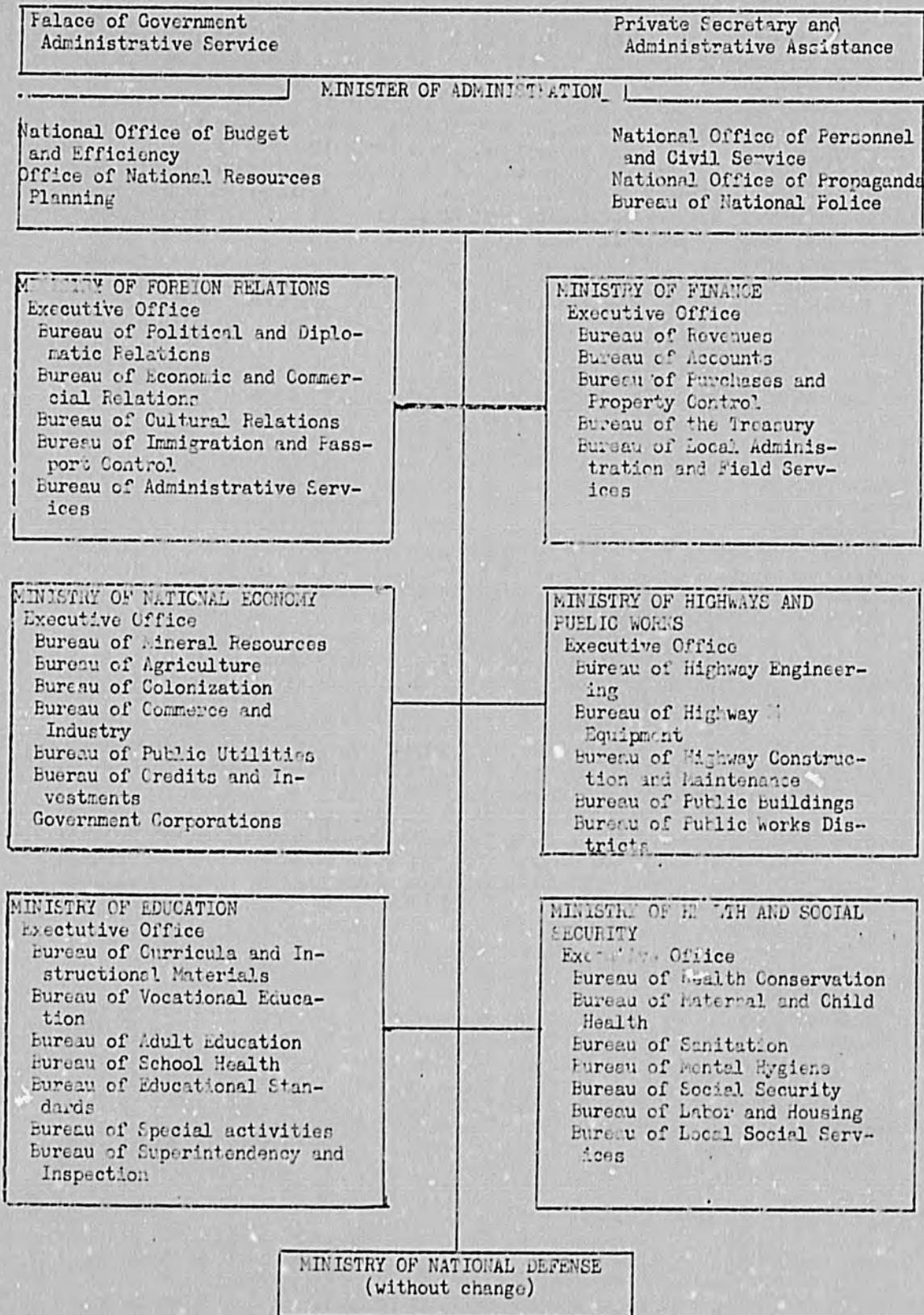
1. The Office of the President.

In this broad program of administrative reorganization, the President himself is immediately involved. His office is inadequately staffed, and the personnel upon whom he must depend have been primarily trained for duties wholly alien to those which he must impose upon them. It is obviously unfair both to the President and to his military aides to require them to deal with difficult problems of civil administration with the background and ramifications of which they have never had occasion to acquaint themselves, and which are distinctly apart from their primary interests in the military arm of the Government.

OVERALL ORGANIZATION CHART OF THE PROPOSED REORGANIZATION OF THE

BOLIVIAN NATIONAL GOVERNMENT

PRESIDENT OF THE REPUBLIC.



The President should be given a small number of executive assistants to deal with such problems of civil administration as may be assigned to them. These aids would have no power to make decisions or issue instruction in their own right. They would not be interposed between the President and his Ministers. They would not be assistant presidents in any sense. Their function would be, when any matter was presented to the President for action affecting any part of the administrative work of the Government, to assist him in obtaining quickly and without delay, and in usable form, all pertinent information possessed by any of the civil Ministries so as to guide him in making his decisions. When such decisions have been made, they would assist the President in seeing to it that every Ministry and other administrative agency affected is promptly and accurately informed, and that their procedures of compliance are relevant to the Presidential objectives. Their effectiveness in assisting the President will be directly proportional to their ability to discharge their functions with restraint and anonymity. They would remain in the background, issue no orders, make no decisions, emit no public statements. Men for these positions should be carefully chosen by the President has great and abiding personal confidence, and whose character and attitude is such that they would not attempt to exercise power on their own account. They should be possessed of high competence, great physical vigour, and deep loyalty to the President. They should be installed in the Palace of Government itself, directly accessible to the President. In the selection of these assistants the President should be free to call upon the various Ministries from time to time for the assignment of persons who, after a tour of duty as his aides, might be restored to their former Ministerial positions.

This recommendation arises from the growing complexity and magnitude of the work of the President's office. Special assistance is needed to insure that all matters coming to the attention of the President have been examined from the viewpoint of the over-all management of the Government, as well as from the viewpoints reflecting considerations of policy and operation. It would also facilitate the flow upward to the President of information upon which to base his decisions, and the effective flow downward, in a form which could achieve the desired results, of decisions once taken for execution by the Ministry or Ministries effected. Thus such a staff would not only aid the President but would be of great assistance to the several Ministries and to the managerial agencies in the President's office in simplifying executive contacts, clearance and guidance.

The reasons for giving the President direct control over the great managerial functions of the Government have been discussed in detail in other parts of this report. These functions—budgeting and efficiency, research, planning, personnel, and propaganda, directly affect the operations of all the Ministries and their dependencies. In the hands of the President they constitute a vital force for securing and maintaining a high degree of administrative efficiency, located elsewhere their management possibilities are drastically limited, and their operations tend to become merely pro forma. The National Office of budget and Efficiency, the National Office of Propaganda should be integral parts of the Presidency, subject to the direct control of, and reporting directly to, the President of the Republic himself.

In addition to the assistance in his own office and that rendered by the managerial agencies placed under his immediate control, the President should also direct the work of the National Police. This agency should be developed into a highly efficient, expertly staffed, and well organized national police force. Its intelligence, information and identification activities should be greatly expanded. It should be placed under the command of a thoroughly competent professional police officer—not merely an Army Officer, and above all not a politician. This officer should have security of position as a police officer but not, of course, as the commanding officer of the police.

The Ministry of Government and Immigration should be abolished. Its functions with respect to the National Police should be taken over by the President's office, its functions in matters of immigration should be returned to the Ministry of Foreign Relations, and the National Delegates of Los Lipze and the West should be transferred to the Bureau of Colonization in the Ministry of National Economy.

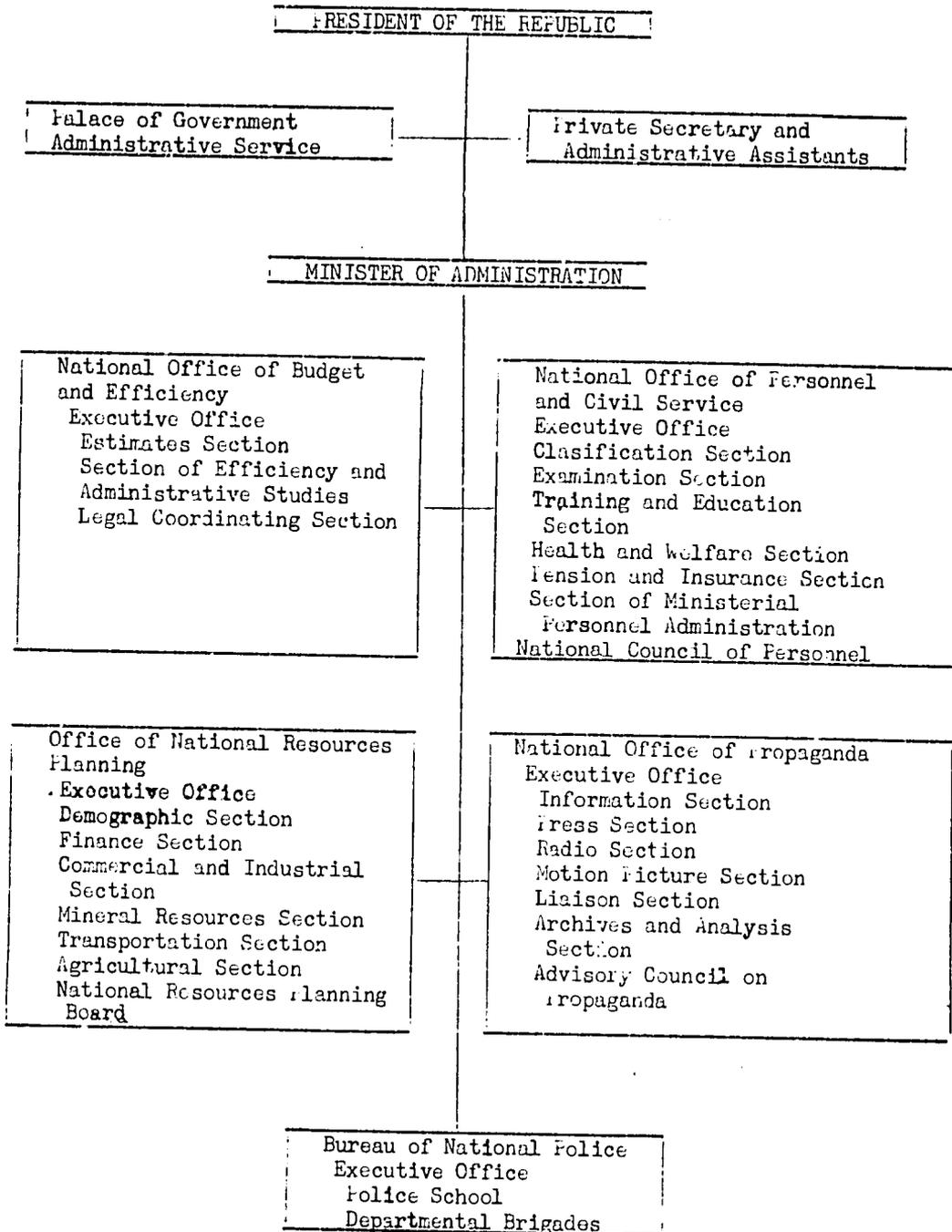
The miscellaneous functions of the Government Section such as maintaining supervision over prefects and other local officials, should be handled on special

assignment by the executive assistance to the President.

It is evident that, in compliance with Article 99 of the Bolivian Constitution, the President must have associated with him a Minister of State in the issuance of decrees and dispositions in connection with the operations of the several subdivisions in his proposed office. We recommend, therefore, that a Minister of Administration be provided as the principal managerial aide to the President, who might also serve as the Director of the proposed National Office of Budget and Efficiency.

A chart showing the proposed organization of the Office of the President and the National Government follows this discussion.

ORGANIZATION CHART OF THE PROPOSED EXECUTIVE OFFICE OF THE
PRESIDENT OF BOLIVIA



2. MINISTRY OF FOREIGN RELATIONS

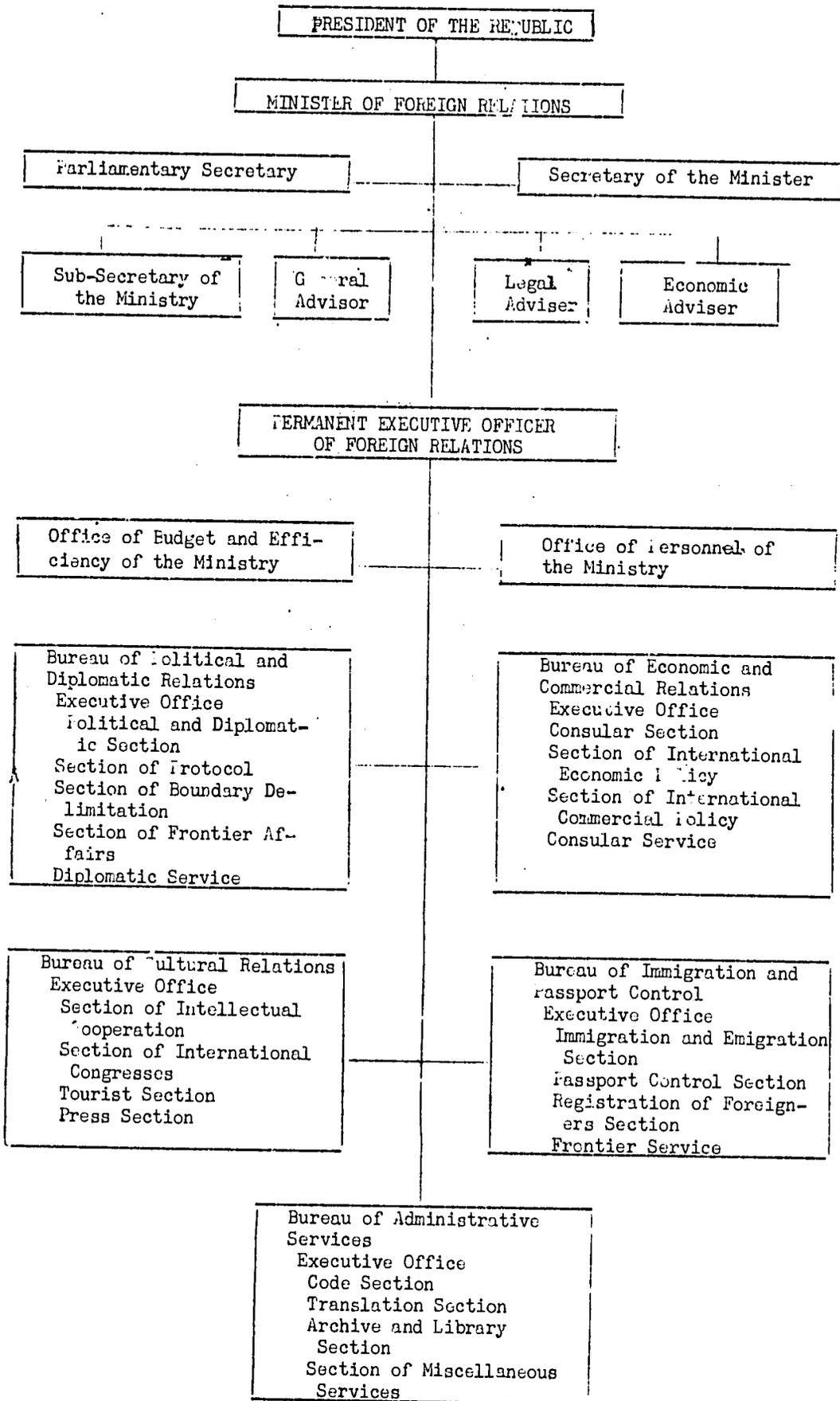
The organizational deficiencies of the Ministry of Foreign Relations are of an extremely minor nature, and by comparison with other agencies of the National Government this Ministry, in company with the Bolivian Petroleum Corporation is outstanding for the highly efficient character of its management and administration.

Three suggestions with respect to the internal organization of the Ministry appear, however, to be pertinent. In the first place, too many people report directly to the Minister to permit this important official of the Government to devote the maximum portion of his time to the broad problems of Bolivian foreign relations and foreign policy. At the present time he is responsible for directing and integrating the activities of sixteen major officials. In the second place, the general service activities of the Ministry, which subserve the important policy forming sections, could be substantially improved and the work of a number of the top officials and employees could be greatly implemented by greater efficiency on the part of those charged with responsibility for the general service activities. In the third place, the administrative staff of the Ministry of Foreign Relations should be brought into the permanent career service and the administrative operations of the Ministry should be integrated under the immediate direction of a permanent Executive Officer for Foreign Relations. The diplomatic and consular services, which are proposed to be exempted from the regular national civil service, should be placed upon a permanent Foreign Service career basis, and this function should be administered by the Personnel Office of the Ministry.

As indicated in another part of this report, the Immigration Service should be reunited with the Ministry of Foreign Relations from which it was separated only a few years ago. With the addition of this activity, it is our opinion that the work of the Ministry could be very effectively organized into five major sections, as follows: The Bureau of Political and Diplomatic Relations; the Bureau of Economic and Commercial Affairs; the Bureau of Cultural Relations; the Bureau of Immigration and Passport Control; the Bureau of Administrative Services.

The chart following this discussion depicts the proposed reorganization of the Ministry of Foreign Relations.

CHART OF PROPOSED REORGANIZATION OF THE MINISTRY OF FOREIGN RELATIONS



3. MINISTRY OF FINANCE.

The Ministry of Finance should be reorganized as an integral agency of financial administration and control. Its non-fiscal functions should be deleted, certain highly important financial functions now outside the Ministry of Finance should be brought under its jurisdiction, certain important financial functions not now performed should be organized under its jurisdiction, and its internal organization should be greatly simplified and modernized. Its procedures, particularly those involving large volumes of accounting and record keeping transactions, should be streamlined and mechanized.

Our specific recommendations with regard to the Ministry of Finance are as follows:

MINISTER'S OFFICE

Executive Office - To remain as now constituted, except that the Minister should be given a parliamentary secretary and a private secretary, and the responsibility for active direction of the operations of the ministry should be delegated to a Permanent Executive Officer.

Housekeeping Section - to be incorporated as a part of the Office of Budget and Efficiency of the ministry.

Customs Technical Section - to be incorporated as a part of the Customs Section in the Bureau of Revenues.

Legal Section - to be transferred to the National Office of Budget and Efficiency in the President's office.

Finance Advisory - to be abolished. Its functions will be more efficiently performed by the Office of National Resources Planning.

Bureau of Currency-Permits - to be abolished. Its functions will be more effectively performed by the Bureau of Commerce in the Ministry of National Economy.

Section of Export-Permits - to be abolished. Its functions will be more effectively performed by the Bureau of Commerce in the Ministry of National Economy.

Service Personnel - to be transferred in part to the Central Transport Service in the Bureau of Procurement and Property Control, and in part to the Bureau of Public Building in the Ministry of Highways and Public Works.

NATIONAL MINT - to be transferred to the Central Bank, as a non-operating agency until the coinage of metals is resumed.

NATIONAL TREASURY - to be reorganized as an integral unit of the Ministry of Finance,

under the title of the Bureau of the Treasury. To be organized in the following sections: Executive office; revenue; expenditures; special funds; public debt; delinquent accounts.

- BUREAU OF STATISTICS - to be transferred to the President's office as the nucleus of the Office of National Resources Planning.
- PERMANENT FISCAL COMMISSION- to be abolished and functions transferred to the Section of Internal Revenues in the Bureau of Revenues.
- BUREAU OF INTERNAL REVENUES - to be transferred to the Bureau of Revenues as the Section of Internal Revenues.
- BUREAU OF CUSTOMS - to be transferred to the Bureau of Revenues as the Section of Customs Revenues.
- Section of Export Control - to be abolished and functions transferred to the Bureau of Commerce in the Ministry of National Economy.
- BUREAU OF THE BUDGET - to be transferred to the President's office as the National Office of Budget and Efficiency.

It is proposed, in addition, to divide the responsibilities for preaudit and current control of accounting and the postaudit function, both of which are now, in theory, exercised by the Comptroller's Office. The first of these will be allocated to the Ministry of Finance and exercised by the Bureau of Accounts, in accordance with recommendations contained elsewhere in this report.

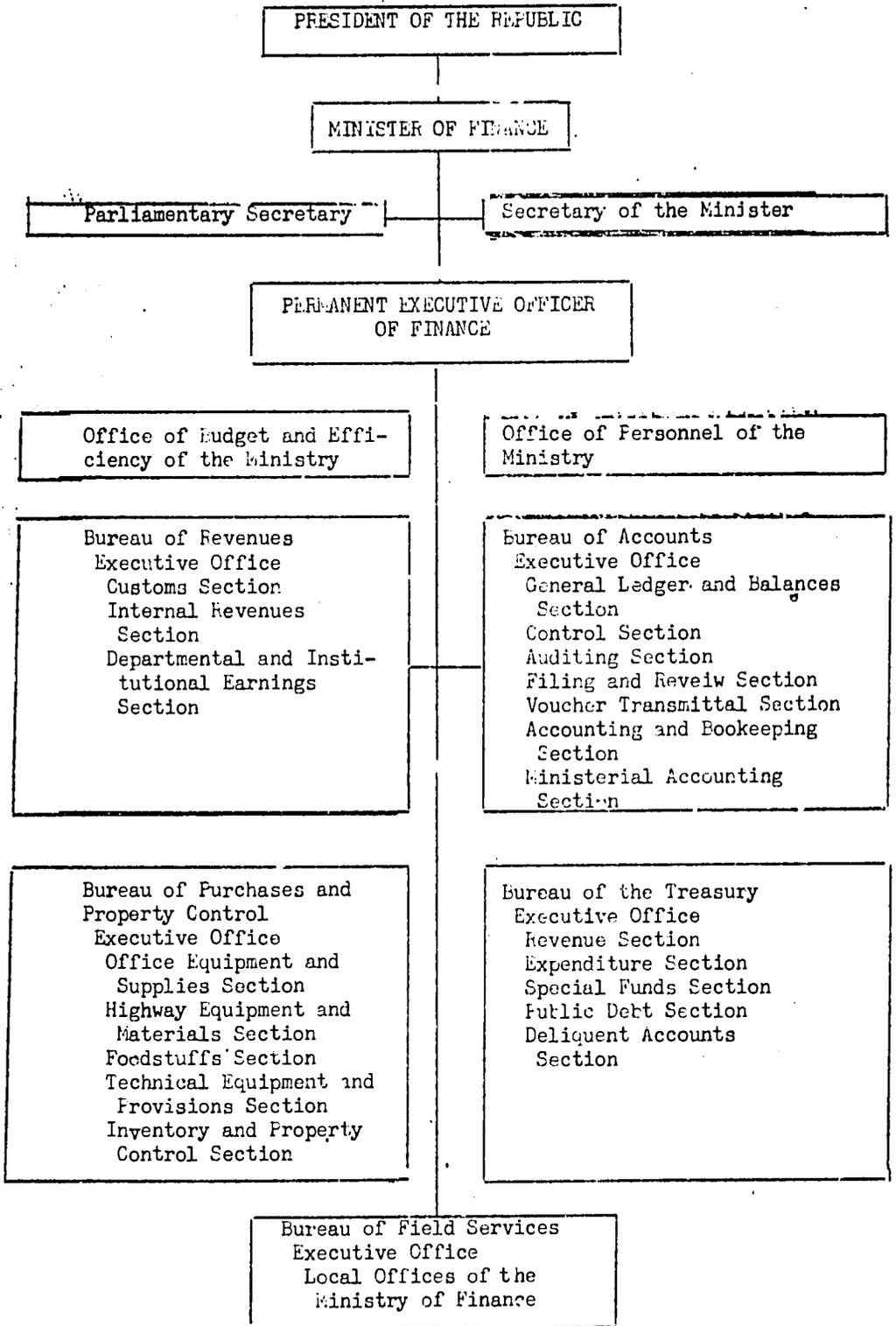
It is further proposed to establish a central purchasing and property control agency in the Ministry of Finance, which represents a net addition to the financial services of the Bolivian National Government. This service will be designated as the Bureau of Procurement and Property Control, and will function in accordance with recommendations made elsewhere in this report.

An essential feature of the proposed reorganization of the Ministry of Finance is the complete unification of its field services. At the present time separate and unintegrated local representatives are maintained by the customs service, the internal revenue service, the treasury, the statistical service, and the Permanent Fiscal Commission not to mention the extensive field service maintained by the Comptroller's Office in connection with operations largely transferred to the Ministry of Finance under the proposed reorganization. This consolidation of field services will greatly expedite the transaction of public fiscal affairs and will greatly broaden the services which the Ministry of Finance is able to make available to the agencies of Government and private citizens throughout the Republic.

We recommend concurrently a thorough overhauling of the revenue laws of the Republic, from the standpoint both of equity and administration. Until this is done, it is vain to hope for substantial improvements in the efficiency of tax administration.

The chart which follows indicates the proposed reorganization of the Ministry of Finance.

CHART OF PROPOSED REORGANIZATION OF THE MINISTRY OF FINANCE



4. Ministry of National Economy

If a comprehensive attack upon the economic problems of Bolivia is to be undertaken by the National Government, a concentration of all the major significant economic control points under unified and integral direction and administration must be effected. We are convinced that this concentration of economic controls can be most logically and effectively brought about in the Ministry of National Economy.

It is essential in any large scale attempt to balance the internal economy of Bolivia, and to maintain a condition of reasonable internal economic balance, that the sum total of national resources, national energies, and national economic policies be brought into coherence under unified general control, and in accordance with a well considered plan of national economic reorganization. This cannot be accomplished by a large number of developmental, regulatory, and financial agencies pursuing fragmentary and uncorrelated lines of action. It cannot be accomplished by an artificial and unrealistic segmentation of the program. Regulatory policies, credit policies, price policies, educational and promotional policies— all must march hand-in hand along well studied routes to a clear and well defined objective. Some phases of the eventual economic development of Bolivia may temporarily have to stand aside in favor of other more urgent phases, and the concentration of the maximum national potential on the most immediately necessary projects cannot be attained unless there is a strong, unified, and purposeful direction given to the development of the national economy. From a practical point of view, our recommendations with respect to the reorganization of the Ministry of National Economy are among the most vital and urgent suggestions contained in our entire report.

Our specific suggestions are as follows:

MINISTER'S OFFICE

Executive Office - to remain as now constituted, except that the Minister should be given a parliamentary secretary and a private secretary, and the responsibility for the **active** direction of the operations of the Ministry should be delegated to a Permanent Executive Officer.

Department of Administration and Accounting - to be abolished and its functions taken over by the Office of Budget and Efficiency of the Ministry.

Legal Department - to be transferred to the National Office of Budget and Efficiency in the President's office.

Department of Statistics and Control - to be transferred to the Office of National Resources Planning

Department of Archives - to be transferred to the Office of the Permanent Executive Officer of National Economy.

Service Personnel - to be transferred in part to the Central Transport Service in the Bureau of Purchases and Property Control in the Ministry of Finance, and in part to the Bureau of Public Building in the Ministry of Highways and Public Works.

BUREAU OF INDUSTRY AND COMMERCE - to remain as at present constituted except that Internal Commerce and

BUREAU OF MINES AND
PETROLEUM

- Foreign Commerce are to be separated in view of the transfer of currency, export and import control operations from the Ministry of Finance to the Section of Foreign Commerce. The regulatory functions of the Bureau of Commerce and Industry should be greatly strengthened and its promotional and developmental functions expanded. More and better personnel is urgently required.

- to be reconstituted as the Bureau of Mineral Resources. To be internally reorganized in the following sections: executive office; tin; petroleum; minor minerals; geology; surveys; inspection; With a greatly enlarged inspectional and promotional program, this suggested reorganization corresponds more nearly to the technical problems falling upon the central office than does the present plan of work distribution.

NATIONAL SUPERINTENDENCY
OF MINES

- to be abolished and functions transferred to the executive office of the Bureau of Mineral Resources.

DEPARTMENTAL SUPERINTEN-
DENCIES OF MINES

- to be abolished and functions transferred to the Inspection Section of the Bureau of Mineral Resources.

In addition to the two major operating divisions of the present Ministry of National Economy, which have been discussed above, four additional major control units should be brought into the organization of the Ministry. The Ministry of Agriculture should be abolished, and its functions transferred in part to the Bureau of Agriculture in the Ministry of National Economy from which it was recently divorced. The present structure of the Ministry of Agriculture should be radically reformed. Our specific recommendations as to the Ministry of Agriculture are as follows:

MINISTER'S OFFICE

Executive Office

- to be abolished and functions transferred to the Bureau of Agriculture in the Ministry of National Economy.

Secretariat

- to be abolished and functions transferred to the Bureau of Agriculture in the Ministry of National Economy.

Legal Department

- to be transferred to the National Office of Budget and Efficiency in the President's office.

Administrative
Department

- to be abolished and functions transferred to the executive office of the Bureau of Agriculture in the Ministry of National Economy.

BUREAU OF AGRICULTURE
Executive Office

- to be abolished and functions transferred to the executive office of the Bureau of Agriculture in the Ministry of National Economy.

Service of Frontier-
Sanitary Inspec-
tion

- to be abolished and functions transferred to the Inspection Section in the Bureau of Agriculture in the Ministry of National Economy.

- Laboratory Service - to be abolished and functions transferred to the Experimentation Section in the Bureau of Agriculture of the Ministry of National Economy.
- Experimentation Service - to be abolished and functions transferred to the Experimentation Section in the Bureau of Agriculture of the Ministry of National Economy.
- Meteorological Service - to be abolished and functions transferred to the Section of Meteorology in the Bureau of Agriculture of the Ministry of National Economy.
- Sorata Nursery - Work to be continued on contractual basis under supervision of the Experimentation Section of the Bureau of Agriculture in the Ministry of National Economy.
- BUREAU OF ANIMAL HUSBANDRY -**
- Executive Office - to be abolished and functions transferred to the executive office of the Bureau of Agriculture in the Ministry of National Economy.
- Livestock Stations - to be transferred to the Experimentation Section in the Bureau of Agriculture of the Ministry of National Economy.
- Fisheries Stations - to be transferred to the Experimentation Section in the Bureau of Agriculture of the Ministry of National Economy.
- Biological Institute - to be transferred to the Experimentation Section in the Bureau of Agriculture of the Ministry of National Economy.
- BUREAU OF IRRIGATION**
- Executive Office - to be abolished and functions transferred to the Irrigation Section of the Bureau of Agriculture in the Ministry of National Economy.
- Department of Surveys and Projects - to be abolished and functions transferred to the Irrigation Section of the Bureau of Agriculture in the Ministry of National Economy.
- Construction Department - to be abolished and functions transferred to the Irrigation Section of the Bureau of Agriculture in the Ministry of National Economy.
- Accounting Department - to be abolished and functions transferred to the Office of Budget and Efficiency of the Ministry of National Economy.
- Department of Agronomy - to be abolished and functions transferred to the Experimentation Section of the Bureau of Agriculture in the Ministry of National Economy.
- DEPARTMENT OF AGRICULTURAL COMMERCE AND STATISTICS -** to be abolished and functions transferred in part to the Section of Agricultural Commerce in the Bureau of Agriculture of the Ministry of

National Economy and in part to the Office of National Resources Planning in the President's office.

DEPARTMENT OF AGRICULTURAL EDUCATION AND PROPAGANDA

Executive Office

- to be abolished and functions transferred to the Education Section of the Bureau of Agriculture in the Ministry of National Economy.

Section of Agricultural Propaganda

- to be abolished and functions transferred to the Education Section of the Bureau of Agriculture in the Ministry of National Economy.

School of Vocational Agriculture and Animal Husbandry At Santa Cruz

- to be transferred to the Ministry of Education.

DEPARTMENT OF RURAL CREDIT

- to be abolished and functions transferred to the Agricultural Bank.

The problem of colonization has for many years been a difficult and, so far, unsolvable problem of the Bolivian Economy. At the present time the governmental colonization program is administered under the general auspices of the Ministry of the Agriculture, but actual. handled by officers on detail success, it should be divorced both from the agricultural program and from the Army, and given the important role it merits in the balancing of the internal economy of the country. Economically sound and well planned colonization is a form of investment of the national wealth to which the authorities of Bolivia will be compelled to devote much attention and very considerable sums of money in the coming years. An organization capable of planning and managing a systematic program of colonization should be set up at an early date. Our recommendations with respect to the Colonization Service are as follows:

COLONIZATION SERVICE

Minister's Office

Executive Office

- to be abolished and functions transferred to the executive office of the Bureau of Colonization in the Ministry of National Economy.

Legal Section

- to be abolished and functions transferred to the National Office of Budget and Efficiency in the President's office.

Land Registry Office

- to be abolished and functions transferred to the Section of National Land Registry in the Bureau of Colonization of the Ministry of National Economy.

Topographic Section

- to be abolished and functions transferred to the Section of Plans and Projects in the Bureau of Colonization of the Ministry of National Economy.

NATIONAL DELEGATIONS

- to be integrated under the supervision of the Section of National Delegations in the Bureau of Colonization of the Ministry of National Economy.

APOSTOLIC MISSIONS

- to be transferred of the Ministry of Foreign Relations and Religion.

In addition to the functions transferred to the Bureau of Colonization, its work should be greatly implemented by a substantial increase in the planning phases of colonization. A Section of Plans and Projects should be established, the function of which would be to search out and develop detailed plans for the establishment of colonies which would be economically sound and which would contribute to the balancing of the internal economy of the Republic on a long-term basis. A construction Section should be organized, the function of which should be the actual making of the basic housing and other installations, preliminary preparation of land, construction of necessary common services and utilities in the areas selected for colonization, and in general to undertake all preliminary construction that should be provided before families are moved into the area. A Section of Inspection should be organized to keep the Director and the Minister closely in touch with operations in the various colonies, and to advise on problems of colonization policy. General administrative policies and procedures in the colonies and national delegations should be coordinated by the Section of National Delegations.

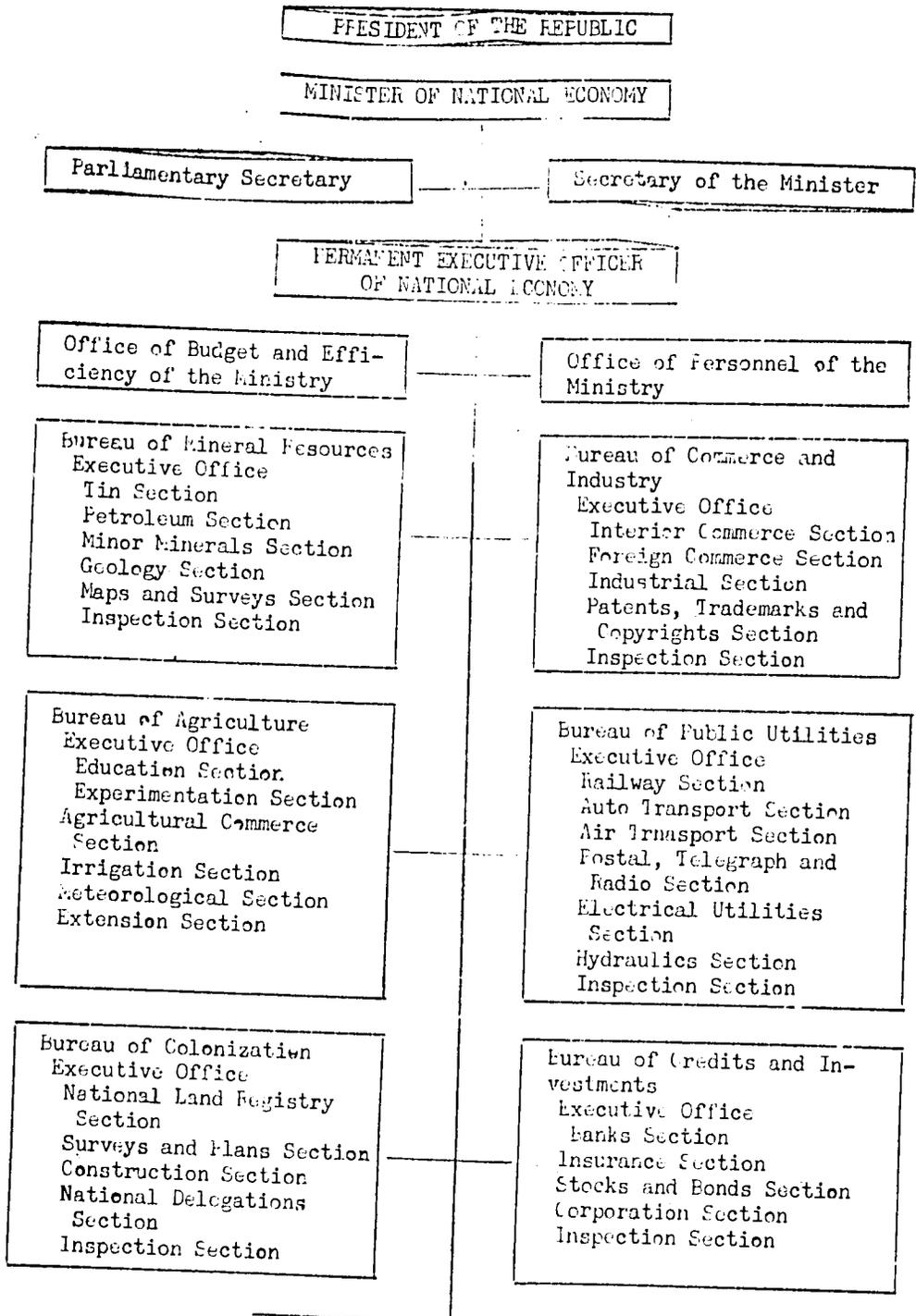
As an integral part of a program of general economic mobilization, we recommend the establishment of a Bureau of Public Utilities in the Ministry of National Economy. The functions of this agency should be to regulate the operations and direct the policies of all enterprises, public and private, in Bolivia offering essential public services, in much the same manner that public utility commissions in other countries perform this necessary function. In this way, the National Government would be able to coordinate transportation, electric power, communications and other policies along lines consistent with its major economic objectives, and avoid having its credit, price control, agricultural and other policies largely negated by economic operations not under its proprietary control. This proposal is intimately articulated with our recommendations concerning the establishment of autonomous government-owned corporations for the administration of the State railways, and the postal, telegraph, and radio services, which are now operated under the auspices of the Ministry of Public Works and Communications. The proposed Bureau of Public Utilities would permit the independent regulation of the operations and policies of all undertakings in these categories on a uniform basis, without regard to their public or private capital structure.

We recommend that the present National Superintendency of banks be abolished and its functions transferred to the proposed Bureau of Credits and Investments in the Ministry of National Economy. We further recommend that comprehensive regulations governing the operations of insurance enterprises of whatever character, of the incorporation of joint-stock companies, and of the issuance of securities and bonds, be developed and promulgated at an early date, and that the administration of these regulations be entrusted to the Bureau of Credits and Investments. It may logically be expected that in the wake of the Government's efforts to balance the internal economy of Bolivia, a substantial amount of private activity and operation will be engendered. Unless the Government is prepared both legally and administratively to direct and control this activity, coordinating it with established national aims and objectives, much Government effort and expenditure may be negated by inconsistent or exploitative private financial operations.

Finally, we recommend that regular conference procedures be inaugurated by the Ministry of National Economy with the directors of the various autonomous Government corporations and banks to assure the consistent following out of agreed national economic policies, and the coordination of undertakings along lines conducive to the effective realization of national objectives. It would be highly desirable for the Ministry of National Economy to be represented on the governing boards of all such corporations, and to maintain complete records of all their policy and control operations.

The attached chart depicts the organization of the proposed Ministry of National Economy.

CHART OF PROPOSED REORGANIZATION OF THE MINISTRY OF NATIONAL ECONOMY



- Government Corporations
- Bolivian Railway Corporation
 - Bolivian Mail Corporation
 - Bolivian Telegraph and Radio Corporation
 - Bolivian Airways Corporation
 - Bolivian Development Corporation
 - Bolivian National Oil Corporation
 - Central Bank of Bolivia
 - Mining Bank of Bolivia
 - Agricultural Bank of Bolivia
 - Industrial Bank of Bolivia
 - National Quinine Factory, etc.

5. Ministry of Highways and Public Works

We propose that the present Ministry of Public Works and Communications be radically reorganized: First, by the incorporation of the major commercial operations of this Ministry as Government-owned autonomous societies; second, by the concentration of activities and resources upon the primary public works problem with which the Government is confronted, which is highways, and the transfer of certain extraneous functions to other agencies where they are more relevant, third, by the establishment of a comprehensive program for the planning, erection, and maintenance of public building by a single specialized agency having that sole responsibility.

Our specific recommendations are as follows:

MINISTRY OF PUBLIC WORKS

- Executive Office - to be continued as at present except that the Minister should be given a parliamentary secretary and a private secretary, and the actual direction of the work of the Ministry should be delegated to a Permanent Executive Officer of Highways and Public Works. Miscellaneous functions of the Executive Office should be allocated to the appropriate sections of the proposed Ministry of Highways and Public Works.
- Bureau of Hydraulics and Electricity - to be abolished and functions transferred in part to the Section of Hydraulics in the Bureau of Public Utilities of the Ministry of National Economy, and in part to the Bureau of Sanitary Engineering in the proposed Ministry of Health and Social Security.
- Department of Architecture - to be abolished and functions transferred to the Bureau of Public Buildings.
- Departmental Offices of Hydraulics, Electricity, and Architecture - to be abolished and functions to be transferred to the Inspection Section of the Bureau of Public Utilities in the Ministry of National Economy.
- Bureau of Railways - to be abolished: regulatory functions to be transferred to the Railways Section in the Bureau of Public Utilities in the Ministry of National Economy; inspectional functions to be transferred to the Inspection Section of the same Bureau.
- Bureau of Highways - to be reorganized into the Bureau of Highway Engineering, the Bureau of Highway Motor Equipment, and the Bureau of Highway Construction and Maintenance, in accordance with the accompanying organization chart.

SERVICE OF COMMUNICATIONS

- Executive Office - to be abolished.
- Bureau of Mails - to be abolished and functions transferred to the proposed Bolivian Mail Corporation.
- Postal Districts - to be abolished and functions transferred to the proposed Bolivian Mail Corporation.
- Bureau of Telegraphic and Radio Communication - to be abolished and functions transferred to the proposed Bolivian Telegraph and Radio

- | | |
|----------------|---|
| Radio Stations | - Corporation.
- to be transferred to the proposed Bolivian telegraph and Radio Corporation. |
| Radio Illimani | - to be transferred to the proposed Bolivian telegraph and Radio Corporation. |

We recommend the extension of the corporate form of organization to the commercial and public service undertakings of the Bolivian Government for six reasons:

1. The corporate form of organization permits the application of commercial business principles and standards, including accurate computation of profit and loss operations, to transactions and activities which are essentially commercial.
2. The corporate form of organization, with majority ownership and control vested in the Government, permits the policies of the several corporations to be coordinated effectively with national social and economic objectives, but offers the possibility of independence of political considerations in the detailed management of the corporations' affairs.
3. The organization of public service undertakings on a commercial basis permits the Government to clarify and implement directly its policies, though the applications of profit-taking policies to certain operations, and subvention policies to others, thus permitting it to direct the operations of public service undertakings in terms of broad fiscal policy rather than detailed administrative supervision.
4. The expansion of public service undertakings through the introduction of new capital from the Bolivian Development Corporation and other sources, can be more effectively handled as an intercorporate negotiation than if the Government were a party to the transaction in its sovereign capacity.
5. The outstanding administrative and management accomplishments of the Bolivian Government when operating through Government-owned corporations, as evidenced in the success of the Bolivian Petroleum Corporation, the Bolivian Air Line, the Mining Bank, and other corporation undertakings of the Government, leads with to the belief that the use of this efficient administrative structure should be extended to the entirety of the Government's commercial and public service activities.
6. The operation of private and public enterprises under independent regulation by the proposed Bureau of Public Utilities in the Ministry of National Economy would permit the Government more effectively to evaluate the efficiency of its own commercial operations, since they could be readily compared with results achieved by private companies operating under approximately the same conditions.

We recommend the centralization of maintenance and control of public buildings in the Bureau of Public Buildings of the following reasons:

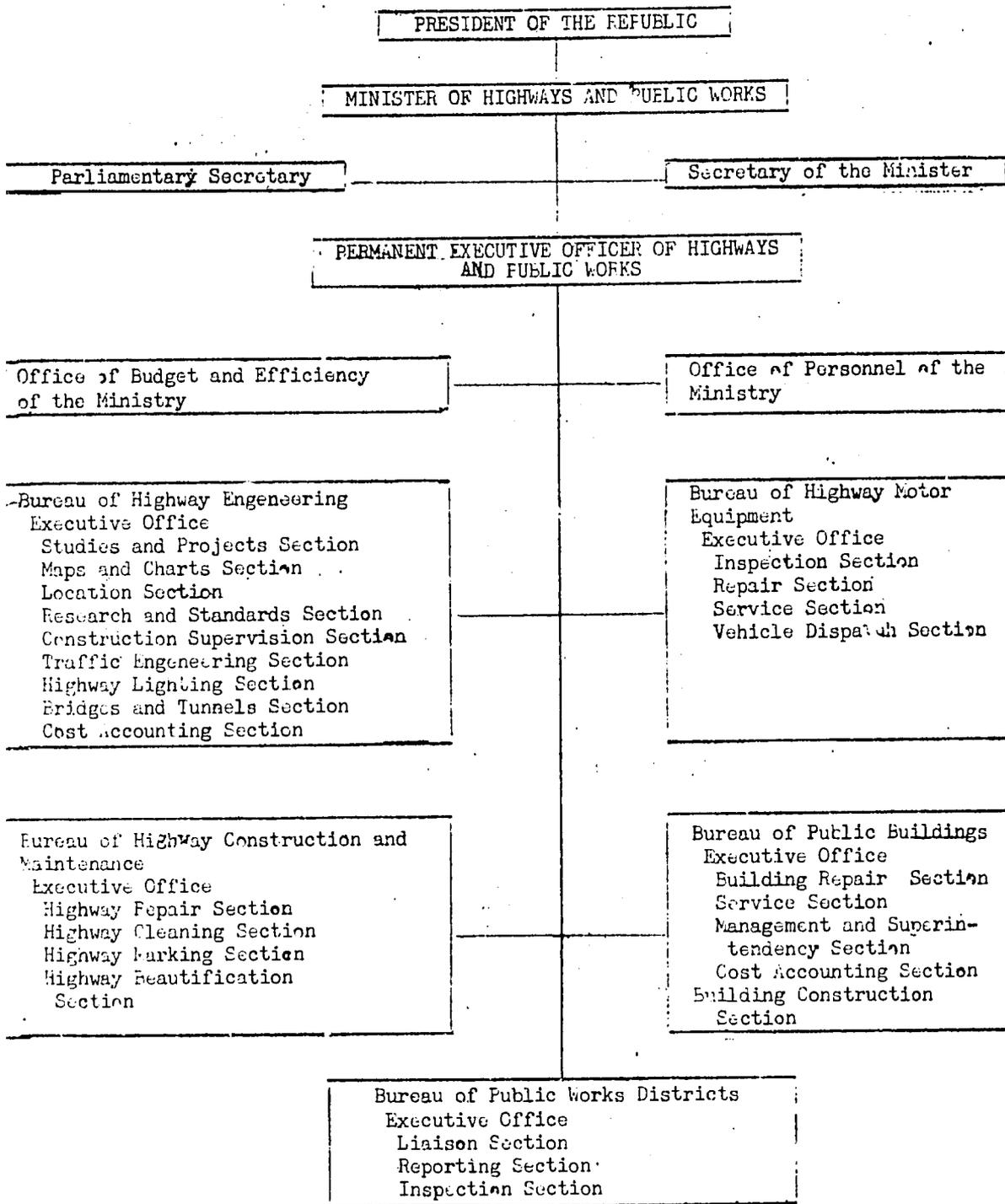
1. It permits the establishment of a plan of real property management, through which economical use of and control over Government-owned real estate may be secured. As a result of the failure to establish competent machinery for the management and maintenance of properties, several ministries of the National Government apparently do not know what property they own, or whether an economical use is being made of it. One ministry may purchase or rent new property, while a similar piece of property belonging to another ministry is unused. Large wastes of public funds may occur because the Government is not in a position to deal effectively in the purchase, rental, and sale of public properties. In the absence of a unified maintenance program, repairs are often neither timely nor efficient.
2. It permits the development of specialized architectural services which are capable of producing construction or repair plans which are truly functional. Many of the buildings now accepted by Government agencies are wholly unsuited to the use to which they are being put, and the efficiency of the Government's operations is correspondingly impaired. Efficient and intelligent specialized architectural assistance in original planning or in remodeling can effect substantial investment economies for the Government.

Many of the buildings now occupied by Government agencies are wholly unsuited to the use to which they are being put, and the efficiency of the Government's operations is correspondingly impaired. Efficient and intelligent specialized architectural assistance in original planning or in remodeling can effect substantial investment economies for the Government.

3. It permits the establishment of an efficient and economical maintenance service. Few Ministries have a sufficient volume of repair work to make economical and continuous use of carpenters, masons, painters, and similar artisans. By centralizing the property repair forces of the Government at strategic points throughout the Republic, higher grade supervision is possible, staff is kept at a minimum, and work can be more equally distributed throughout the year.
4. It permits the establishment of a properly trained and supervised custodial service, which will not only result in substantial savings but in a much better type of custodial care. The common practice under the present decentralized system of leaving the custodians to their own devices without competent supervision, and in many cases without any supervision, obviously results in a low output of work, mistreatment of the mechanical and electrical equipment, and failure to attain clean and attractive buildings.
5. It permits the operation of public buildings on a sound cost accounting basis, through which all Ministries and their dependencies may be put upon a rental basis, and the actual cost of Ministerial services and activities much more accurately computed and charged.

The attached chart depicts the proposed organization of the Ministry of Highways and Public Works.

CHART OF PROPOSED REORGANIZATION OF MINISTRY OF HIGHWAYS AND PUBLIC WORKS



6. Ministry of Education

The public school system of Bolivia is fundamentally defective in organization, orientation and performance. It is defective in organization because its structural characteristics make unity of purpose and action impossible. It is defective in orientation because its curricula and instructional methods have little to do with the realities of Bolivian social and economic problems. It is defective in performance because with the present low level of its teaching personnel and the anarchy prevailing in educational administration, it is unable to accomplish even the ineffective and largely irrelevant task to which it has addressed its attention.

If the Ministry of Education is to become a significant instrument of National social and economic progress, it must have a thorough overhauling from top to bottom. The Council of Education, which was an unfortunate and wholly mistaken administrative experiment, would be abolished. Unity of purpose and objective should be reestablished by integrating the direction and control of the public educational program under the Minister of Education, and vesting the immediate supervision of administration in the hands of a Permanent Executive Officer for Education who, as a member of the permanent career service, would be selected by competitive examination and removed from political influences and considerations.

If the Ministry of Education is to administer a positive and purposeful educational program, it must be given the proper tools of educational administration, and must accept the responsibilities of educational planning, programming, supervising, and evaluating without which progress in educational affairs cannot be secured. The recommendations which we shall make, therefore, are not designed merely to increase the efficiency and decrease the cost of what the Ministry and the Council are now doing, because what is now being done is not worth doing at all. Our suggestions, on the contrary, are designed to provide effective management of a vital educational program, geared to the requirements of a rapidly developing Republic.

Our specific recommendations concerning the Ministry of Education are as follows:

MINISTRY OF EDUCATION

- | | |
|-------------------------------------|---|
| Executive Office | - to remain as at present except that the Minister should be given a parliamentary secretary and a private secretary, and active direction of the administrative operations should be lodged in a Permanent Executive Officer of Education. |
| Instruction | to be abolished and functions transferred in part to the National Office of Personnel and the Personal Office of the Ministry, and in part to the Bureau of Curricula and Instructional Materials. |
| Budgets | - to be abolished and functions transferred to the Office of Budget and Efficiency of the Ministry. |
| Archives and Information | - to be abolished and functions transferred to the office of the Permanent Executive Officer of Education. |
| Publicity and Educational Promotion | - to be abolished and functions transferred to the National Office of Propaganda. |
| Engineering | - to be abolished and functions trans- |

ferred to the Bureau of Public Buildings in the Ministry of Highways and Public Works.

Indian Affairs, Libraries and Publications - to be abolished and functions transferred to the Bureau of Curricula and Instructional Materials.

COUNCIL OF EDUCATION

Vice Presidency - to be abolished.

Secretariat General and Office of Legal Counsel - to be abolished and functions transferred to the Office of the Permanent Executive Officer of Education

Superintendency of Indian and Rural Education - to be abolished and functions transferred to the Bureau of Superintendency and Inspection.

Department of Budgets - to be abolished and functions transferred to the Office of Budget and Efficiency of the Ministry.

Department of Musical and Artistic Education - to be abolished and functions transferred to the Music and Fine Arts sections of the Bureau of Special Activities.

Department of Physical Education - to be abolished and functions transferred to the Sports Section of the Bureau of Special Activities.

Section of Cultural Promotion - to be abolished and functions transferred in part to the Executive Office of the Bureau of Special Activities, and in part to the Bureau of Adult Education.

Section of Classification, Rating, and Statistics - to be abolished and functions transferred to the Office of Personnel of the Ministry and the National Office of Personnel.

Section of Archives, Library, and Information - to be abolished and functions transferred to the Office of the Permanent Executive Officer of Education.

More than a reshuffling of existing agencies, however, the educational program needs a vital purpose and the administrative and management equipment with which to respond to that purpose. We propose that the new program be organized and managed as follows:

1. The personnel should be professionalized. We recommend that the Minister be given a parliamentary secretary and a private secretary, and three stenographers, who would not be chosen from the career service. However, the Permanent Executive Officer and all employees responsible to him, either directly or indirectly, would be members of the career service. This includes both administrative and teaching personnel, throughout the educational system.
2. A planning agency for the school system should be set up, as the Bureau of Curricula and Instructional Materials. The function of this Bureau

would be to study thoroughly the type and content of instruction which is relevant to the social and economic needs of Bolivia, and to construct plans of studies and to gather or have prepared instructional materials which will most effectively meet the needs of the agreed plans of studies. In many ways, this is the most important function of the Ministry of Education, and deserves the greatest care and attention.

3. The needs of vocational education should be recognized by the creation of a Bureau of Vocational Education as a major, coordinate division of the Ministry. The functions of this section would be to promote and assist in the development of programs of practical education throughout the Republic which would produce skilled men and women capable of meeting the technical requirements of modern business, governmental, agricultural and industrial life. Of primary importance is the program of practical education in agriculture, which is where Bolivia's economic future lies. But Bolivia also needs competent household workers and Bolivia's girls must be educated to manage households, equally important is the education of skilled workers for the mining and other industries, for office work, for trades requiring manual skills, and for the Government services.
4. A well financed and adequately staffed Bureau of school Health should be established, and its work integrated with the regular program of education in the public schools. It may as well be frankly recognized that the most significant contributions to public health in Bolivia must come through the schools; the health and nutritional habits of the greater part of the adult population are so firmly fixed that any substantial change in nutritional habits, which constitute the major health problem, is not likely to occur in this generation. An all-out attack on child health hazards through the public schools offers a very real opportunity to raise the general health standards substantially within a decade.
5. The movement now under way to reduce illiteracy and to provide civic and cultural education to adults should be implemented and extended. An educated people is the cornerstone of democracy, and until illiteracy is eliminated and a vital sense of national consciousness and social responsibility is developed, the electorate of Bolivia cannot constitute a solid defense against social and political disintegration. The proposed Bureau of Adult Education should be the spearhead of this program.
6. The objective measurement of pupil and teacher progress by an independent appraising agency is essential to the effective progress of the educational program. We propose that a Bureau of Educational Standards be established which, through a system of State administered examinations, would test objectively the quality and effectiveness of instruction being offered in all educational institutions throughout Bolivia—public, private, and sectarian. We propose further that all certificates, diplomas, and degrees should, in the future, be awarded only upon a certification by the Bureau of Educational Standards that the standard of instruction in the conferring institution meets a constantly progressing national minimum. The work of this section should also be integrated closely with the licensing and promotion of teachers, handled by

the Office of Personnel of the Ministry and the National Office of Personnel.

7. Interscholastic sports, literary, musical and fine arts programs and competitions should be developed and encouraged, through the establishment of a Bureau of Extra Curricula Activities, the function of which would be to promote and encourage pupil and teacher participation in these activities, to arrange local, departmental and national competitions, and otherwise to implement the development of social, civic, and cultural appreciations in the public schools.
8. An integrated and unified system of superintendence and inspection, serving as the field service for the entire educational system, should be established and administered under the supervision of the Permanent Executive Officer of Education. This Bureau of Superintendency and Inspection should maintain a Liaison Section to keep the work of the Bureau closely in touch with and responsive to the aims and objectives of the other Bureau of the Ministry, and constantly in line with major national educational objectives. It should also maintain an efficient Section of Reports, by which the various Bureaus could judge the progress and effectiveness of the educational programs as they are converted into educational practices at the instructional level.

The chart following this discussion depicts the proposed reorganization of the Ministry of Education.

CHART OF PROPOSED REORGANIZATION OF THE MINISTRY OF EDUCATION

PRESIDENT OF THE REPUBLIC

MINISTER OF EDUCATION

Parliamentary Secretary

Secretary of the Minister

PERMANENT EXECUTIVE OFFICER
OF EDUCATION

Office of Budget and Efficiency of the Ministry

Office of Personnel of the Ministry

Bureau of Curricula and Instructional Materials
Executive Office
Primary Section
Secondary Section
Professional Section
University Section
Vocational Section
Textbook Section
Radio Section
Motion Picture Section
Exhibition and Demonstration Section
Libraries and Museums Section

Bureau of Vocational Education
Executive Office
Agricultural Section
Domestic Economy Section
Commercial and Office Section
Mine Section
Industrial Section
Manual Section
Public Employment Section

Bureau of Adult Education
Executive Office
Illiteracy Section
Civic Section
Cultural Section

Bureau of School Health
Executive Office
Immunization Section
Nutrition Section
Dental and Oral Hygiene Section
Visual and Ocular Hygiene Section
Psychiatric and Adolescent Hygiene Section

Bureau of Educational Standards
Executive Office
Primary Section
Secondary Section
Professional Section
University Section
Vocational Section

Bureau of Superintendency and Inspection
Executive Office
Liaison Section
Reports Section
Inspection Section

Bureau of Special Activities
Executive Office
Sports Section
Literary Section
Music Section
Fine Arts Section
Civic Section

Institutes, Colleges, Schools, Universities, Libraries, Museums, etc., whether publicly or privately operated.

7. Ministry of Health and Social Security

The Ministry of Health and Welfare Labor and Social Insurance is a largely unintegrated and unassimilated paper consolidation of three distinct activities in the general field of public welfare— Health and Welfare, Labor, and Social Insurance. Each activity has its own Executive Officer and, for all practical purposes, operates as a separate Ministry. Because of the extremely close inter-relationships of these programs of social amelioration, the decision to unify their direction and control as a sound one. Such unification is, however, ~~more~~ more of a fact than before the present paper consolidation was effected.

Our recommendations concerning this Ministry relate primarily to internal organization, and are directed to securing a strong, coordinated program of social services in line with accepted modern principles of organization and procedure. As has been pointed out in another section of this report, many of the programs of the National Government urgently require decentralization, in addition to the centralization and integration of control. The public health, labor, and public welfare programs are definitely of this category. At the present time the local public health program, for example, consists primarily in the maintenance of certain facilities for institutional treatment and the employment of large numbers of part time physicians, sanitary inspectors and nurses with specific local geographical areas of operation. The net result is that the public health program is spread so thin in terms of money and manpower that nowhere is substantial progress being achieved. The public health program, moreover, is inadequately articulated at the local level with other phases of the program of social welfare, so that many of its accomplishments are promptly lost through the failure to deal adequately with accompanying conditions of social pathology.

We recommend that the local social services of the National Government abandon their present plan of organization on a geographic departmental basis, and embrace the principle of military organization exemplified in the "task force." All local public health and public welfare personnel would be assigned to the Bureau of Local Welfare Services. A task force would then be assembled by the responsible officials in the Ministry to deal with the outstanding health and welfare hazards in the Republic as they arise, and sufficient resources could be concentrated effectively to deal with the problem. Following the work of the task force, a smaller personnel would be assigned for such continuing work in the area as local conditions required and as the resources of the Government would, in equity, permit. This ability to concentrate adequate resources on the focal points of infection, sanitary and social, would permit a substantially larger accomplishment with the resources now available, and would rapidly earn public support for a substantial expansion of a really efficient social service program.

The Social Service program should be concentrated under the immediate direction and control of highly competent general administrator, designated as the Permanent Executive Officer for Health and Social Security, who should be a member of the permanent career service. The centralized technical services should be organized into six Bureaus, as follows: (1) Health Conservation; (2) Maternal and Child Health; (3) Sanitation; (4) Mental Hygiene; (5) Social Security; (6) Labor and Housing. A Bureau of Local Social Services should be established to plan, direct supervise, and inspect and report upon the work of the "task force" distributed at danger points throughout the Republic, and the more permanent local units maintaining the local service program.

Our specific recommendations are as follows:

HEALTH SERVICE

Executive Office and Administrative Department

Executive Office - To remain as at present constituted, except that the Minister should be given a parliamentary secretary and a private secretary, and the immediate direction of the Health Service, as well as the Labor and Social Security Service, should be placed in the hands of a Permanent

Executive Officer of Health and Social Security. The Secretary and the Chief of Propaganda should be transferred to the Section of Health Education in the Bureau of Health Conservation.

- Administrative Section - to be abolished and functions transferred in part to the office of the Permanent Executive Officer of Health and Social Security and in part to the Office of Budget and Efficiency of the Ministry.
- Legal Section - to be abolished and functions transferred to the Office of the Permanent Executive Officer of Health and Social Security.
- Central Accounting Office - to be abolished and functions transferred to the Office of Budget and Efficiency of the Ministry and to the Bureau of Accounts in the Ministry of Finance.
- Archive Section - to be abolished and functions transferred in part to the office of the Permanent Executive Officer of Health and Social Security, and in part to the Executive Office of the Bureau of Local Social Services.
- Technical Department Subsecretariat - to be abolished and functions transferred to the Executive Office of the Bureau of Health Conservation.
- Biodemographic and Personnel Section - to be abolished and functions transferred in part to the Section of Plans and Program of the Bureau of Local Social Services and in part to the Office of Personnel of the Ministry.
- National Institute of Bacteriology - to be abolished and functions transferred to the Section of Laboratories in the Bureau of Health Conservation.
- Bureau of Epidemiology and Prophylaxis - to be abolished and functions transferred to the Section of Epidemiology in the Bureau of Health Conservation.
- National Anti-Malaria Campaign - to be abolished and functions transferred in part to the Bureau of Local Social Services and in part to the Section of Sanitary Engineering in the Bureau of Sanitation.
- National Anti-Pest Campaign - to be abolished and functions transferred in part to the Bureau of Local Social Services and in part to the Section of Pest Control in the Bureau of Health Conservation.
- National Anti-Typhus Campaign - to be abolished and functions transferred in part to the Bureau of Local Social Services and in part to the Section of Typhus Control in the Bureau of Health Conservation.

- Anti-Leprosy Service - to be abolished and functions transferred in part to the Bureau of Local Social Services and in part to the Section of Leprosy Control in the Bureau of Health Conservation.
- Frontier Centers- to be abolished and functions transferred to the Bureau of Local Social Services.
- Bureau of Preventive Medicine and National Anti-Tuberculosis Campaign - to be abolished and functions transferred to the Section of Tuberculosis Control in the Bureau of Health Conservation.
- Pharmaceutical Inspection and Drug Control - to be abolished and functions transferred to the Section of Drug Control in the Bureau of Sanitation.
- Stores Section - to be abolished and functions transferred to the office of the Permanent Executive Officer of Health and Social Security.
- Bureau of Nutrition - to be abolished and functions transferred to the Section of Nutrition in the Bureau of Maternal and Child Health.
- Districts - to be abolished and functions transferred to the Bureau of Local Social Services.

LABOR SERVICE

- Office of Labor Executive Office - to be abolished and functions transferred to the office of the Permanent Executive Officer of Health and Social Security.
- Bureau of Social-Investigations - to be abolished and functions transferred to the Section of Working Conditions and Standards in the Bureau of Labor and Housing, and to the Bureau of Local Social Services.
- Technical Section of Industrial Health and Welfare - to be abolished and functions transferred to the Section of Working Conditions and Standards in the Bureau of Labor and Housing.
- Inspectorate General of Labor - to be abolished and functions transferred in part to the Section of Arbitration and Conciliation in the Bureau of Labor and Housing and in part to the Bureau of Local Social Services.
- Labor Courts - to be abolished and functions transferred in part to the Section of Arbitration and Conciliation in the Bureau of Labor and Housing, in part to the Bureau of Local Social Services, and in part to the Section of Workmen's Compensation in the

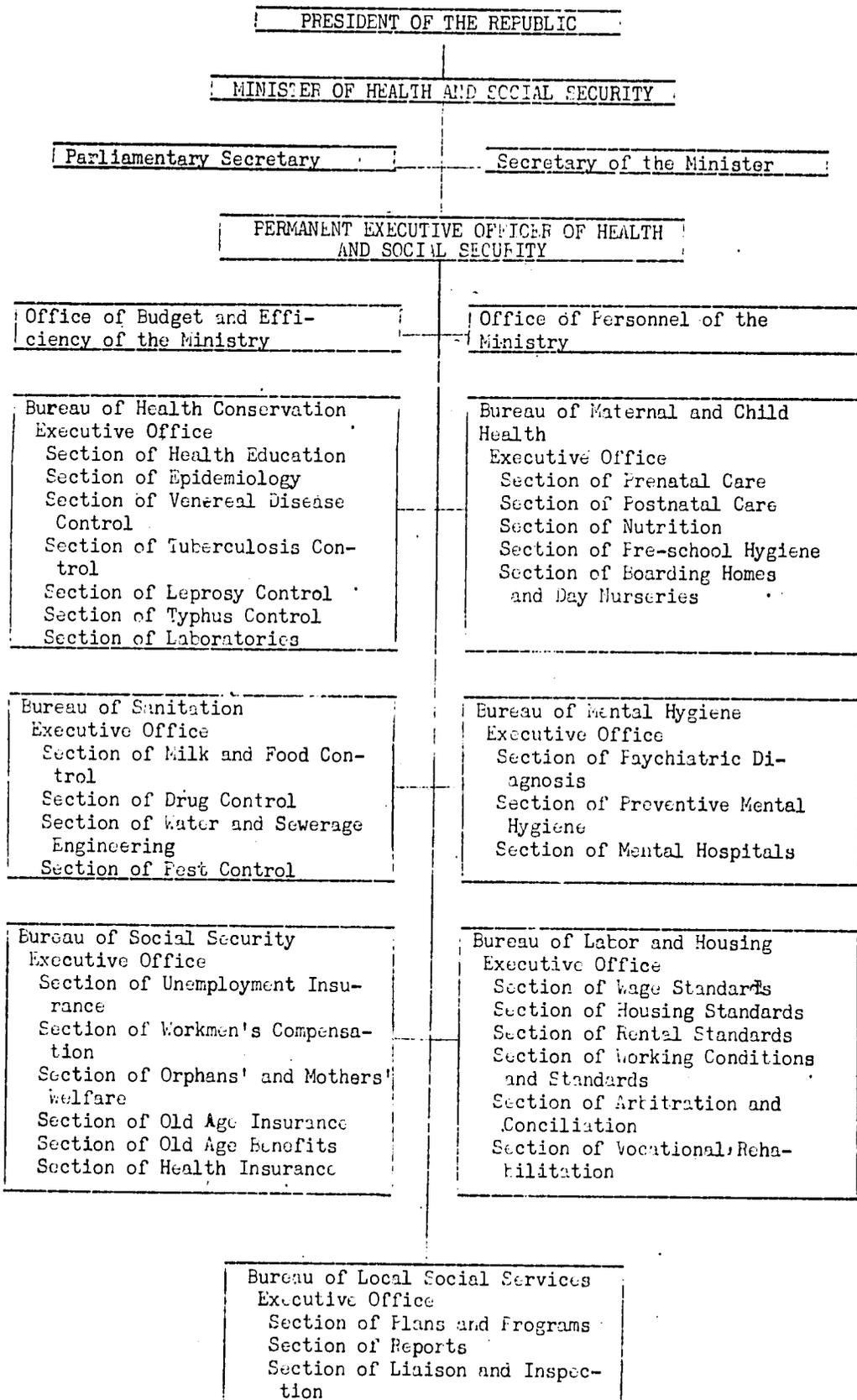
- Bureau of Social Security.
- Regional Labor Inspectorates - to be abolished and functions transferred to the Bureau of Local Social Services.
- SERVICE OF SOCIAL INSURANCE**
Ministry and Dependencies.
- Executive Office - to be abolished and functions transferred to the office of the Permanent Executive Officer of Health and Social Security.
- Department of Social Protection - to be abolished and functions transferred to the Section of Orphans' and Mothers' Welfare in the Bureau of Social Security.
- Department of Social Welfare - to be abolished and functions transferred to the Section of Rental Standards in the Bureau of Labor and Housing.
- Department of Insurance and Savings - to be abolished and functions transferred to the appropriate sections of the Bureau of Social Security.
- Provisional Section of Compulsory Social Security - to be abolished and functions transferred to the appropriate sections of the Bureau of Social Security.
- Actuarial and Statistical Section - to be abolished and functions transferred to the appropriate sections of the Bureau of Social Security.
- Section of Statistical Machinery and Identification of Assureds - to be abolished and functions transferred to the appropriate sections of the Bureau of Social Security.
- National Institute of Re-education and Readaptation of Invalids - to be abolished and functions transferred to the Section of Vocational Rehabilitation in the Bureau of Labor and Housing.
- Section of Training and Schools - to be abolished and functions transferred to the Section of Vocational Rehabilitation in the Bureau of Labor and Housing.
- Section of Prothesis and Orthopedics - to be abolished and functions transferred to the Section of Vocational Rehabilitation in the Bureau of Labor and Housing.
- National Patronage of Minors and War Orphans - to be abolished and functions transferred to the Section of Orphans' and Mothers' Welfare in the Bureau of Social Security.
- Invalids and Pensioners Registers - to be transferred to the appropriate sections of the Bureau of Social Security.

In addition to the functional rearrangements contemplated in the above proposals, the health and welfare program of the Republic needs strengthening in a number of fundamentals.

1. A comprehensive system of social insurance and systematic benefits for the economically underprivileged needs to be instituted. Insurance is always cheaper than the awarding of charity. Moreover, in the period of intense economic expansion which appears immanent, Bolivia should require the population to make regular preparation for the contingencies which lie ahead. The contribution of large reserves for unemployment benefits, workmen's compensation, old age benefits, and sickness benefits, moreover, will have an important anti-inflationary effect, and will contribute materially to the stabilization of the national economy. This report recommends the establishment of administrative machinery for such a comprehensive system of benefits.
2. A substantial expansion of the public health program in the direction of special services in behalf of maternal and child health is urgently required. Experience has clearly indicated that the most profitable phase of any public health program is that which is devoted to seeing that children and mothers receive proper medical and nutritional care in the prenatal, post-natal and infant periods. The astoundingly high rate of infant mortality in Bolivia shows beyond controversy that this problem is not now receiving even a modicum of attention. If Bolivia would pay more attention to preserving the lives of the many infants who now die because of ignorance and neglect, the problem of populating the unpopulated national domain, and of colonizing the rich agricultural lands of the country, would be solved infinitely sooner than it ever will be through the grandiose and ineffective schemes for the importation of large numbers of foreigners, few of which have contributed anything to the development of the nation's resources.
3. A beginning should be made in meeting the problem of mental illness in Bolivia. This is a serious and preventable leak in the social system, and one which, in the course of the elevation of the country's standards of social consciousness, will cost millions of Bolivianos annually in institutional care and treatment unless extensive and effective preventional work is done. This report recommends the institution of programs of psychiatric diagnosis, preventive mental hygiene, and supervision of institutions affording care to the mentally ill, and the establishment of administrative machinery for exploring and instituting elementary procedures for dealing with the problem of mental illness.
4. An attack should be made upon the problem of housing conditions and housing standards of laboring people. No factor in raising the standards of the public health, or the moral standards of the population in general, is more important than housing. It has direct and perceptible effects on educational accomplishment of the young, on delinquency and crime, on work habits and work performance, and on almost every other social characteristic. Since many residential buildings will be constructed during the period of economic expansion which lies ahead, now is the time to make plans for the more adequate housing of the population. This report recommends urgently the establishment of a Section of Housing Standards and Studies in the Bureau of Labor and Housing.

The attached chart depicts the proposed reorganization of the Ministry of Health and Social Security.

CHART OF PROPOSED REORGANIZATION OF THE MINISTRY OF HEALTH AND SOCIAL SECURITY



CONCLUSION

The President's advisers have no illusions about setting up a perfect system of organization and management for the National Government of Bolivia. Substantial improvement in the administration of the Government's affairs will require time, hard work, and infinite patience. New problems of organization and management will constantly emerge, and must be accommodated. To establish a career Government service on solid foundations, to straighten out warped and confused lines of responsibility, to simplify and rationalize the unplanned cumulation of Government activities—these are by no means simple advances.

It must be made perfectly clear that it was not the task of the President's advisers to determine whether particular activities of the Government should or should not be continued, or upon what scale of magnitude activities should be continued. This is an important question of policy determination which can properly be undertaken only by persons responsible to the people of Bolivia. Ours has been the task of considering what forms of organization and management are most suitable, given policies of public service as they exist at present.

No estimates of the saving in money which our proposals may realize have been offered. In the first place, the scope of the report is limited to the realm of organization and management, and the realm of policy has been excluded. It would have been easy to say that Bs. 10,000,000 here and Bs. 15,000,000 there might be saved by utterly abolishing this or that activity. But this was not our assignment. We were charged with the duty of suggesting means of making more effective, whatever activities have been decided upon by the people, the Congress, and the President. In the second place, experience has amply demonstrated in large-scale management, public and private, all over the world, that genuine operating economies are to be achieved only by the provision of adequate machinery of management which will afford an opportunity for central executive direction to pursue day after day and year after year the task of cutting costs, of improving the service, and of raising the standards of performance. It cannot be accomplished by arbitrary percentage reductions in Ministerial budgets, by arbitrary dismissal of employees, or by arbitrary consolidation of agencies. It is an operation that, in the case of Bolivia, is urgently required, but it calls for the skill of a surgeon with his scalpel, and not the crude power of the butcher with his meat cleaver.

There is no magic in management alone. Management is a servant, not a master—it is a means, not an end—it is a tool in the hands and for the purposes of the Nation. Public service is the service of the common good in peace or war, and it will be judged by the effectiveness with which it serves the common good. Not merely lower costs, but also higher human happiness and sounder human values, are the supreme ends of national life. As Aristotle has said, "The State exists for the sake of the Good Life, and not for the sake of life only." By this ultimate standard the Bolivian system of Government, and every system of Government, must be ultimately tested. Good management will promote in the fullest measure the conservation and utilization of Bolivia's national resources, and will work out the Good Life plainly in terms of social justice, security, order, liberty, prosperity, material benefits, and in higher values of life.

Whatever may be said of the National Government of Bolivia in the past, the present Government is an honest Government and a courageous Government. But honesty and courage alone are not enough for victory, either in peace or war. Intelligency, vision, fairness, firmness, and flexibility are required in an assembled, competent, strong organization of democracy. To falter at this point is fatal. A weak administration can neither advance nor retreat successfully—it can only muddle. Those who waiver at the sight of needed power are false friends of modern democracy. Strong executive leadership is essential to democratic Government today. The fall of our nation after nation before the forces of totalitarianism during the past three years is traceable in large part to incompetency, indecisiveness, inefficiency and lethargy which reached deep into the roots of the public administration and infected the national vitality. The choice is not between more power or less power, but between capable popular Government and irresponsible autocracy.

The forward march of Bolivian political, social and economic democracy at this point in the Nation's history depends more upon effective management than upon any other single factor. The times demand better governmental organization, staffed with more competent public servants, more free to do their best, and directed by an Executive fully equipped with modern tools of management. The President's advisers respectfully offer this report and their recommendations designed to provide the President of the Republic with effective managerial authority over the Executive Branch of the Government commensurate with his responsibility under the National Constitution.

BILL FOR THE CREATION OF
THE NATIONAL OFFICE OF PERSONNEL.

AN ACT, to establish a system of personnel administration for the civil service of the Republic of Bolivia.

SECTION 1. General Purpose

The general purpose of this act is to establish for the Republic of Bolivia a system of personnel administration based on merit principles and scientific methods, governing the appointment, promotion, transfer, lay-off, removal, and discipline of its officers and employees, and other incidents of public employment. Except as hereinafter specified, all appointments and promotions to positions in the service of the Republic of Bolivia shall be made on the basis of merit and fitness, to be ascertained by competitive examinations.

SECTION 2. Definitions

As used in this act, unless the context clearly requires otherwise

1. "Office" means the National Office of Personnel.
2. "Director" means the Director of Personnel.
3. " Council" means the National Council of Personnel.
4. " Service of the Republic" means all offices and positions in the employ of the Republic, other than the military service.
5. " Appointing authority" means an officer or agency having power to make appointments to positions in the service of the Republic.
6. "Division" or "Division of the Service" means a Ministry or any division or branch thereof, or any agency of the Government of the Republic, or branch of the service of the Republic, all the positions in which are under the same appointing authority.
7. "Class" or "Class of positions" means a group of position in the Government classified service sufficiently alike in duties, authority, and responsibilities that the same qualifications may reasonably be required for, and the same schedule of pay can equitably be applied to, all positions in the group.
8. "Entrance test" means a test for positions in a particular class, admission to which is not limited to persons employed in the service of the Republic.
9. "Promotion test" means a test for positions in a particular class, admission to which is limited to employees in the classified service who have held a position in another class.
10. "Employment list" means a list of persons who have been found qualified by an entrance test for appointment to a position in a particular class.
11. "Promotion list" means a list of persons who have been found qualified by a promotion test for appointment to a position in a particular class.
12. "Reemployment list" means a list of persons who have been regular employees in a particular class and who are entitled to have their names certified for appointment to a position in that class.
13. "List" means an employment list, a promotion list, or a reemployment list.
14. "Eligible" means a person whose name is on a list.

15. "Provisional appointment" means the appointment of persons who, upon the effective date of this act, are holding positions which this act places in the classified service, with the requirement that such persons shall be tested three successive times to determine whether they shall retain their positions.
16. "Regular employee" means an employee who has been appointed to a position in the classified service in accordance with this act after completing the requirements of his provisional appointment or probationary appointment.

SECTION 3. National Office of Personnel

(a) There shall be in the government of the Republic of Bolivia a National Office of Personnel, the administrative head of which shall be a Director of Personnel.

(b) In the Office there shall be National Council of Personnel, with the powers and duties hereinafter enumerated.

(c) Adequate annual appropriations shall be made to enable the Office to carry out effectively the provisions of this act.

SECTION 4. Appointment of the Director and Permanent Secretary

(a) The Director shall be appointed by the President and shall be removable by the President. He shall receive an annual salary which shall be fixed in accordance with the duties and responsibilities of comparable officers. He shall hold no other office.

(b) The Director shall be assisted by a Permanent Secretary who shall be appointed by the Director in accordance with the provisions of this act and shall be in the classified service.

SECTION 5. Organization of the National Council of Personnel

(a) The members of the Council shall be citizens of the Republic and shall be in sympathy with the application of merit principles to public employment. No member of the Council shall be a member of any committee of a political party or an officer or member of any committee in any partisan political club or organization, or shall be a candidate for any elective public office.

(b) The member of the Council shall be appointed by the President and shall be removable by the President. The Council shall consist of seven members.

(c) Members of the Council shall each be paid one thousand bolivianos for each day devoted to the work of the Council but not more than forty thousand bolivianos in any one year. They shall be entitled to reimbursement for necessary traveling and other expenses.

(d) The Council shall elect one of its members as chairman. It shall meet at such times and places as shall be specified by the chairman or the President. At least four meetings shall be held each year. Notice of each meeting shall be given in writing to each member by the Director, who shall serve as secretary. Four members shall constitute a quorum for the transaction of business.

SECTION 6. Duties of the Director

(a) The Director, as executive head of the Office, shall direct and supervise all its administrative and technical activities. In addition to the duties imposed upon him elsewhere in this act, it shall be his duty.

1. To attend all meetings of the Council and to act as its secretary and keep minutes of its proceedings.

2. To direct the establishment and maintenance of a roster of all employees in the classified service, in which there shall be set forth, as to each employee, the class title of the position held; the salary or pay any change in class title, pay or status; and any other necessary data.
3. To appoint, under the provisions of this act, such employees of the Office and such experts and special assistants as may be necessary to carry out effectively the provisions of this act.
4. To develop and to conduct, in cooperation with appointing authorities and others, training and educational programs, both pre-entry and post-entry, in order to improve the quality of the public service.
5. To investigate from time to time the operation and effect of this act and of the rules and to report his findings and recommendations to the Council and to the President.
6. To develop and maintain a health and welfare program for employees in the public service.
7. To make annual reports regarding the work of the Office, and such special reports as he considers desirable, to the Council and to the President.
8. To perform any other lawful act which he may consider necessary or desirable to carry out the purposes and provisions of this act.

(b) The Director may select officers or employees in the service of the Republic of Bolivia to act as examiners in the preparation and rating of tests. An appointing authority shall excuse any employee in his division from his regular duties for the time required for his work as an examiner. Officers and employees shall not be entitled to extra pay for their service as examiners, but shall be entitled to reimbursement for necessary traveling and other expenses.

(c) The Director is authorized to delegate to any other officer or employee of the Republic any functions or duties vested in and imposed upon such Director by law.

SECTION 7. Duties of the Council

In addition to the duties imposed upon it elsewhere in this act, it shall be the duty of the Council:

- (a) To represent the public interest in the improvement of personnel administration in the public service.
- (b) To advise the President and Director on problems concerning personnel administration.
- (c) To advise and assist the Director in fostering the interest of institutions of learning, civic, professional, and employee organizations in the improvement of personnel standards in the public service.

(d) To make any investigation which it may consider desirable concerning the administration of personnel in the service of the Republic and to take under consideration any action by the National Office of Personnel which may appear to be arbitrary, capricious, or illegal and make recommendations to the Director or to the President of the Republic with respect thereto.

(e) To make annual reports, and such special reports as it considers desirable, to the President regarding personnel administration in the public service and recommendations for improvement therein.

SECTION 8. Rules

(a) The Director shall formulate such rules as he may consider necessary, appropriate, or desirable to carry out the provisions of this act and may from time to time formulate amendments thereto. Such rules and amendments thereto shall be presented to the Council for its discussion at a meeting which shall be open to the public. The Council shall have power to recommend changes in the rules, in whole or in part. Rules or amendments thereto presented to the Council for its discussion shall within fifteen days of such presentation be submitted to the President by the Director, together with any recommendations of the Council. The President shall have power to approve or reject such submitted rules or amendments thereto and such rules or amendments shall become effective when approved by the President or on the tenth day after they are submitted to him if prior thereto he shall not have rejected them. The first rules hereunder shall be recommended by the Director within six months after his appointment.

(b) Rules adopted under this section shall have the force and effect of law. Among other things, such rules shall provide for the method of administering the classification plan and the pay plan; the establishment, maintenance, consolidation, and cancellation of lists; the application of service ratings; the hours of work, attendance regulation, holidays, and leaves of absence for employees in the classified service; and the order and manner in which lay-offs shall be effected. Such rules may include any provisions relating to employment in the service of the Republic, not inconsistent with the laws of the Republic, which may be necessary or appropriate to give effect to the provisions and purposes of this act.

(c) The powers herein conferred upon the Director shall be subject only to the provisions of this act and of the rules adopted hereunder, and may be exercised by regulation or by order as the Director sees fit. His powers and duties shall not be limited or restricted by the authorization to adopt rules, except to the extent that rules are adopted thereunder.

SECTION 9. Unclassified and classified positions

(a) The unclassified service shall comprise the positions of:

1. The President of the Republic.
2. Officers and employees of the Legislative Branch, including the Office of the Comptroller General of the Republic.
3. Ministers and members of councils, boards, and commissions appointed by the President and the Directors of the following: The National Office of Budget and Efficiency, the National Office of Personnel, the Office of National Resources Planning, and the National Office of Propaganda.
4. A parliamentary secretary, a private secretary, and three stenographers for each Minister and one secretary for each board or commission appointed by the President.
5. One Private Secretary to the President and all employees of the Office of the President.
6. All employees of the Administrative Service in the Palace of the Government.
7. The Commanding General of the National Police and one private secretary.
8. Diplomatic Corps, consuls and consular agents and employees in the Diplomatic or consular service abroad.
9. All officers and employees in the Judicial Branch.
10. Officers and members of the teaching staffs of universities and student employees of such institutions.
11. Patient or inmate help in charitable, penal, and correctional institutions of the Republic.
12. Persons employed on a contractual basis.

13. Officers and employees at Government-owned or Government-controlled corporations.

14. Persons employed in a professional or scientific capacity to make or conduct any special inquiry, investigation or examination on behalf of the Congress or a committee thereof, or by authority of the President.

(b) The classified service shall comprise all other positions now existing or hereafter created in the service of the Republic.

SECTION 10. Status of present employees

Persons who, at the time this act takes effect, are occupying positions which this act places in the classified service shall hold provisional appointments to such positions. Three non-competitive tests shall be given to such persons, which tests shall be prescribed by the Director to determine the fitness of persons holding provisional appointments to perform satisfactorily the duties of their positions. The content, time, manner, and place of such non-competitive tests shall be determined by the Director. After each non-competitive test the Director shall certify whether each employee so tested has met a reasonable standard of fitness qualifying him to retain his position. After each non-competitive test the provisional appointment of each person who is certified to be so qualified shall be extended until the results of the following non-competitive test have been certified, except that after the third non-competitive test each person who is certified to be so qualified shall be deemed to be a regular employee and shall be awarded a regular appointment. Persons who are certified not to be qualified after either the first, second, or third non-competitive test shall be dismissed from their positions within sixty days after the establishment of a list of eligibles for their respective positions in accordance with the provisions of this act. The Director may, however, after the first or second non-competitive test, authorize the provisional appointment of any person who has been certified as not qualified after a non-competitive test, in another positions of a lower rank in the classification plan subject to his passing the remaining non-competitive tests to determine his fitness to perform satisfactorily the duties of his position. The Director shall not authorize the regular appointment of any such person after a failure to qualify in the third non-competitive test and any such person as is certified not to be qualified after the third non-competitive test shall be dismissed within sixty days after the establishment of a list of eligibles for his position in accordance with the provisions of this act.

Provisional appointments, as defined in this act, shall cease to be valid seven years after the effective date of this act.

SECTION 11. Classifications plan

(a) The Director shall ascertain the duties, authority, and responsibilities of all positions in the classified service. After consultation with the appointing authorities, he shall prepare and recommend to the President a classification plan, which shall group all positions in the classified service in classes, based on their duties, authority, and responsibilities. The classification plan shall set forth, for each class of positions, a class title and a statement of the duties, authority, and responsibilities thereof. Each class of positions may be subdivided and classes may be grouped and ranked in such manner as may be deemed appropriate. The Council may submit to the President any comments it has regarding the classification plan at the time the classification plan is recommended to the President. Such plan shall take effect when approved by the President or on the sixtieth day after it has been recommended to the President if prior thereto the President has not disapproved it.

(b) The Director shall also prepare a statement of the minimum qualifications for each class of positions in the classified service.

SECTION 12. Allocation

As promptly as practicable after the adoption of the classification plan, and after consultation with appointing authorities, the Director shall allocate each position in the classified service to the appropriate class therein on the

basis of its duties, authority, and responsibilities. Any employee affected by the allocation of a position to a class shall be privileged to submit to the Director, in writing, a request for reconsideration, supported by his reasons therefor. The Director may make whatever investigation or inquiry he deems proper but in any case his decision shall be final.

SECTION 13. Reallocation of positions; amendments to classification plan.

(a) Before establishing a new position in the classified service or making any permanent and substantial changes in the duties, authority or responsibilities of a position in such service, an appointing authority shall notify the Director in writing of his intention so to do.

(b) The Director may at any time, after affording to the employees affected a reasonable opportunity to present their statements, allocate any new position to a class, or change the allocation of any position to a class, or recommend to the Council and the President changes in the classification plan. Any change in the classification plan recommended by the Director shall take effect when approved by the President or on the thirtieth day after it is recommended to the President if prior thereto the President shall not have disapproved it. If any change is made in the classification plan by which a class of positions is divided, altered, or abolished, or classes are combined, the Director shall forthwith reallocate the positions affected to their appropriate classes in the amended classification plan.

SECTION 14. Use of class titles

Following the adoption of the classification plan and the allocation to classes therein of positions in the classified service, the class titles set forth therein shall be used to designate such positions in all official records, vouchers, and communications. No person shall be appointed to or employed in a position in the classified service under a class title which has not been approved by the Director as appropriate to the duties to be performed.

SECTION 15. Pay Plan

After consultation with appointing authorities and the fiscal officers of the Republic, and after a public hearing, the Director shall prepare and recommend to the President a pay plan for all employees in the classified service. Such pay plan shall include, for each class of positions; a minimum and maximum rate, and such intermediate rates as the Director considers necessary or equitable. In establishing such rates, the Director shall give consideration to the need for obtaining competent employees in the public service, the prevailing rates of pay for the services performed and for comparable services, in public and private employment, living costs in various parts of the Republic, maintenance or other benefits received by employees and the financial policy and condition of the Republic. Such pay plan shall take effect when approved by the President. Amendments thereto may, from time to time, be recommended by the Director and adopted by the President. Each employee in the classified service shall be paid at one of the rates set forth in the pay for the class of positions in which he is employed.

SECTION 16. Methods of filling vacancies in the classified service.

Vacancies in the classified service shall be filled only by:

- (a) Appointment of an eligible certified by the Director from a list; or
- (b) Temporary appointment under section 25 of this act; or
- (c) Emergency appointment under section 26 of this act; or
- (d) Transfer or demotion of a regular employee; or
- (e) Reinstatement under section 28 of this act.

SECTION 17. Establishment of reemployment lists

The Director shall establish and maintain reemployment lists, which shall

contain the names of persons who have been regular or provisional employees and who were separated from their positions for reasons other than fault or delinquency on their part. The order in which names shall be placed on a reemployment list shall be established by the rules. The length of time for which a name shall remain on a reemployment list shall be established by the rules and shall not exceed four years. The Director may strike the name of a person from a reemployment list or refuse to certify his name for a position if he finds, after giving him notice and an opportunity to be heard, that such person is not qualified to perform satisfactorily the necessary duties.

SECTION 18. Establishment of promotion lists and employment lists

(a) The Director shall establish and maintain such promotion lists and employment lists for the various classes of positions in the classified service as he deems necessary or desirable to meet the needs of the service. On each promotion list and employment list, the eligibles shall be ranked in the order of their ratings earned in the test given for the purpose of establishing such list.

(b) The Director shall determine at the time any promotion or employment list is established the period during which such list shall remain in force, which shall be not less than six months nor more than three years. The Director may extend such period by order made before the expiration of the list; but no list, shall be extended to a time more than three years from the original establishment thereof, and a statement of the reasons for any extension shall be entered in the records of the office. The Director may consolidate or cancel promotion lists and employment lists as the needs of the service may require and as authorized by the rules. A promotion list or employment list which has been in force for six months or more shall be deemed cancelled upon the establishment of a new promotion list or employment list, as the case may be, for the same class of positions.

SECTION 19. Tests

The Director shall from time to time conduct such promotion and entrance tests as he considers necessary for the purpose of establishing promotion lists and employment lists. The tests shall be competitive and shall be of such type as to determine the qualifications, fitness, and ability of the persons tested to perform the duties of the class of positions for which a list is to be established. They may be written, oral, physical or in the form of a demonstration of skill, or any combination of such types. The tests may take into consideration such factors, including education, training, experience, aptitude, capacity, knowledge, character, physical fitness and other qualifications, as, in the judgment of the Director, enter into the determination of the relative fitness of the applicants. No question shall be so framed as to elicit information concerning the political or religious opinions or affiliations of an applicant.

SECTION 20. Admission to tests

The Director shall determine the qualifications for admission to any test. For a promotion test, the qualifications shall include the requirement that an applicant be employed in a position in such length of time, as the Director shall specify, subject to the rules. Subject to such limitations as to age as the Director considers for the best interests of the service, admission to tests shall be open to all persons who appear to possess the required qualifications and may be lawfully appointed to a position in the class for which a list is to be established. The Director may, however, reject the application of any person for admission to a test or may strike the name of any person from a list or refuse to certify the name of any person on a list for a position if he finds that such person lacks any of the required qualifications, or is physically unfit to perform effectively the duties of the position in which he seeks employment, or is addicted to the habitual excessive use of drugs or intoxicating liquor, or has been convicted of a crime or guilty of any notoriously disgraceful conduct, or has been dismissed from the public service for delinquency, or has made a false statement of a material fact or practiced or attempted to practice any fraud or deception in his application or test or in attempting to secure appointment.

SECTION 21. Public notice of tests

(a) The Director shall give public notice of each entrance test, at least

two weeks in advance of such test, by posting a notice thereof on a bulletin board maintained in or near the National Office of Personnel and by publishing a brief abstract of such notice in such daily newspapers as he shall deem necessary to give proper public notice. He shall give public notice of each promotion test, at least two weeks in advance of such test, by posting a notice thereof on such bulletin board and in such other manner as he considers appropriate to furnish information thereof to employees who are eligible for admission to such test.

(b) Each official notice of a test shall state the duties and pay of positions in the class for which the test is to be held, the qualifications required therefor, the time, manner, and place of making application for admission to such test, the estimated vacancies to be filled, and any other information which the Director considers pertinent and useful.

(c) The Director may also advertise tests in professional and trade publications, post notices thereof in schools and colleges, and employ any other methods of publicizing tests which he considers appropriate. He may publish a periodic bulletin containing information about tests.

SECTION 22. Results of tests

The rating of each test shall be completed and the resulting list shall be established not later than ninety days after the date on which the test was held, unless such time is extended by the Director for reasons which he shall record in the official records of the Office. Each person competing in any test shall be given written notice of his final earned rating and, if he was unsuccessful in attaining a place on the list, he shall be so notified in writing. Each person competing in a test shall, in accordance with regulations adopted by the Director, be entitled to inspect his ratings and test papers. A manifest error in rating a test shall be corrected if called to the attention of the Director within one month after the establishment of the list, but such correction shall not invalidate any appointment previously made from such list.

SECTION 23. Appointment to positions of persons certified from lists

(a) Whenever an appointing authority proposes to fill a position in the classified service, he shall submit to the Director a statement showing the position to be filled, the duties thereof, and the necessary and desirable qualifications of the person to be appointed thereto, and shall request the Director to certify the names of persons eligible for appointment to such position. The Director thereupon, in accordance with procedures established in the rules, shall certify to the appointing authority a list of names eligible for appointment to such position, accompanied by the applications and tests of eligibles and such other information as the Director deems useful in making a selection. Within five days after such names are certified the appointing authority shall appoint one of those whose names are certified to each vacancy which he is to fill. The Director may, as established in the rules, extend the five day period but in no case for more than thirty days.

(b) The names of persons certified who have three times expressed unwillingness to accept appointment may, in the discretion of the Director, be removed from the list.

SECTION 24. Probationary Period

(a) Every person appointed to a position in the classified service after certification of his name from an employment list shall be further tested during his probationary period while occupying such position. The probationary period shall commence immediately upon appointment and continue for such time, not less than six months, as shall be established by the Director. At such times during the probationary period and in such manner as the Director may require, the appointing authority shall report to the Director his observation of the employee's work, the employee's production and performance in comparison with established standards, his judgment as to the employee's willingness and ability to perform his duties satisfactorily, and as to his habits and dependability. At any time during the probationary period of an employee, after the first two months thereof, the appointing authority may remove an employee if, in the opinion of the appointing authority, the working test conducted during the probationary period

indicates that such employee is unable or unwilling to perform his duties satisfactorily or that his habits and dependability do not merit his continuance in the service. Upon such removal, the appointing authority shall notify the Director and the employee removal of the action taken and the reasons therefor. No more than three employees shall be removed successively from the same position during their probationary periods without the approval of the Director. The Director may remove an employee during his probationary period if he finds, after giving him notice and an opportunity to be heard, that such employee was appointed as a result of fraud or error.

(b) Ten days prior to the expiration of an employee's probationary period, the appointing authority shall notify the Director in writing whether the services of the employee have been satisfactory and whether he desires to continue the employee in the position. A copy of such notice shall be given to the employee. No employee shall be paid for work performed after the expiration of his probationary period unless, prior to the performance of such work, the appointing authority has notified the Director that the employee will be continued in his position.

(c) If any employee is removed from his position during or at the end of his probationary period, and the Director determines that he is suitable for appointment to another position, his name may be restored to the list from which it was certified. If any such employee was a regular employee in another position in the classified service immediately prior to his appointment, his name shall be placed on the reemployment list for the class of the position in which he was a regular employee.

SECTION 25. Temporary appointments

When an appointing authority desires to fill a vacancy in the classified service, and the Director cannot certify an appropriate list, the Director may authorize the appointing authority to fill the vacancy by temporary appointment. In making temporary appointments, preference shall be given first to persons whose names are on a list and secondly to persons who have applied for appointment as regular employees and whom the Director believes to be qualified. A temporary appointee shall hold his position only until an appropriate list has been established and the required certification can be made. No temporary appointee shall hold his position for more than six months, except that during the first eight months after the effective date of this act, temporary appointments may be made for a longer period expiring no later than fourteen months after such effective date, provided that the appointing authority shall maintain a list of persons so appointed during the first eight months after effective date of this act, showing title of position and salary, and shall furnish such list to the Director on demand. No temporary appointment shall be renewed and no person shall receive more than one temporary appointment in any twelve month period.

SECTION 26. Emergency appointments

When an emergency makes it impossible to fill a position in the classified service under any other provision of this act, an appointing authority or an employee authorized by him, in order to prevent stoppage of public business or loss or serious inconvenience to the public, may appoint any qualified person to such position. Any such person shall be employed only during such emergency and for a period not exceeding thirty days. A vacancy of which the appointing authority has had reasonable notice, or an employment condition of which he had, or might with due diligence have had previous knowledge, shall not be considered an emergency under this section. The appointing authority shall report immediately each emergency appointment to the Director. No such appointment shall be renewed.

SECTION 27. Transfer and assignment in the public service

An appointing authority may at any time assign an employee from one position to another position in the same class or rank in his division. Upon making such an assignment, the appointing authority shall forthwith make written record of his action. A transfer of an employee from a position in one division to a position in the same class or rank in another division may be made with the approval of the Director and of the appointing authorities of both divisions. No employee

shall be transferred from a position in one class to a position in another class of a higher rank or for which there are substantially dissimilar requirements for appointment unless he is appointed to such latter position after certification of his name from a list in accordance with the provisions of this act. Any change of an employee from a position in one class to a position in a class of a lower rank shall be considered a demotion and shall be made only in accordance with the procedure prescribed by section 35 for cases of dismissal. An employee thus demoted shall have the right of appeal to the Director under section 36 of this act.

SECTION 28. Reinstatement to positions

An appointing authority, with the approval of the Director, may fill a vacancy by reinstating any person who was a regular employee and who resigned in good standing to a position in the same class as the position which he held as a regular employee. The Director shall establish in the rules the length of time during which such persons shall be eligible for reinstatement, but not to exceed two years after resignation..

SECTION 29. Variation of appointing procedures for unskilled and custodial positions

For positions involving unskilled or semi-skilled labor, or domestic, attendant or custodial work, when the character or place of the work makes it impracticable to supply the needs of the service by appointments made in accordance with the procedure prescribed by this act, the Director, subject to the rules, may authorize or adopt the use of such other procedures as he determines to be appropriate in order to meet the needs of the service, while assuring the selection of such employees on the basis of merit and fitness. Such procedures may include the testing of applicants and maintenance of lists of eligibles by localities; the testing of applicants singly or in groups at periodic intervals, after such notice as the Director considers adequate; the registration of applicants who pass a non-competitive test or submit satisfactory evidence of their qualifications, and appointment of registered applicants in the order of their application; or any variation or combination of the foregoing, or other suitable method.

SECTION 30. Service standards and ratings

In cooperation with appointing authorities, the Director shall develop and establish and may from time to time amend, standards of production and performance for employees in each class of positions in the classified service or for groups of classes and a system of service ratings based upon such standards. In such manner and with such weight as shall be provided in the rules, service ratings shall be considered in determining salary increases and decreases within the limits established by law and the pay plan; as a factor in promotion tests; as a factor in determining the order of lay-off when forces must be reduced because of lack of funds or work and the order in which names are to be placed on re-employment lists; and as a means of discovering employees who should be promoted, demoted, transferred, or dismissed. In such manner and at such times as the rules may require, each appointing authority shall record the service ratings of employees in his division and furnish such information as the Director may request regarding such service ratings. All employees shall be informed of their service ratings and it shall be the duty of supervisors to confer periodically with employees whose work they supervise regarding the application of the service rating system to the work of each respective employee.

SECTION 31. Hours of work, holidays, attendance and leave

The rules shall provide for the hours of work, holidays, attendance regulation and leaves of absence in the various classes of positions in the classified service. They shall contain provisions for annual, sick, and special leaves of absence with or without pay or with reduced pay, and may allow special extended leaves for employees disabled through injury or illness arising out of their employment, and the accumulation of annual and sick leaves.

SECTION 32. Liability of Government officers

Any sum paid contrary to any provision of this act or of any rule, regulation, or order thereunder may be recovered by the the Government from any officer

who made, approved, or authorized such payment or who signed a voucher, pay roll, check, or warrant for such payment, or from the sureties on the official bond of any such officer.

SECTION 33. Lay-offs

In accordance with the rules, an appointing authority may lay off an employee in the classified service whenever he deems it necessary by reason of shortage of work or funds, or the abolition of a position or other material change in duties or organization. The seniority and service ratings of employees shall be considered, in such manner as the rules shall provide, among the factors in determining the order of lay-offs. The name of every regular and provisional employee so laid off shall be placed on the appropriate reemployment list.

SECTION 34. Suspensions

An appointing authority may, for disciplinary reasons, suspend without pay a regular or provisional employee in his division for such length of time as he considers appropriate not exceeding thirty days in any twelve month period. With the approval of the Director a regular employee may be suspended for a longer period pending the investigation or trial of any charges against him.

SECTION 35. Dismissals

An appointing authority may dismiss any regular or provisional employee in his division when he considers that the good of the service will be served thereby. No dismissal of a regular or provisional employee shall take effect unless at least ten days before the effective date thereof the appointing authority gives to such employee a written statement of the reasons therefor and files a copy of such statement with the Director. The employee shall have an opportunity to file with the appointing authority a written statement regarding the proposed dismissal, a copy of which shall be filed with the Director. A regular or provisional employee who is dismissed shall have the right to appeal to the Director provided under section 36 of this act. If the Director determine that the statement of reasons for a dismissal given by an appointing authority shows that such dismissal does not reflect discredit on the employee dismissed, the name of such employee shall, if he so requests, be placed on the appropriate reemployment list.

SECTION 36. Appeal by employees

(a) Any regular or provisional employee who is dismissed or demoted may appeal to the Director within sixty days after such action is taken. Upon such appeal, both the appealing employee and the appointing authority whose action is reviewed shall have the right to be heard and to present evidence. At the hearing of such appeals, technical rules of evidence shall not apply and neither party to the hearing shall be represented by counsel, legal or otherwise. If the Director finds that the action complained of was taken by the appointing authority for any political, religious, or racial reason, the employee shall be reinstated to his position without loss of pay. In all other cases the findings and recommendations shall be submitted to and considered by the appointing authority, who shall make the final decision disposing of the appeal, which decision shall not be reviewable by any court. If such final decision is in favor of the employee, the appointing authority may reinstate him and may approve the payment of any salary or wages lost by him. When any regular or provisional employee is dismissed and not reinstated after appeal, the Director may place his name on an appropriate employment list. In the discretion of the Director, he may be paid the salary or wages lost, but not more than sixty days' pay in the position from which he was dismissed.

(b) An appeal to the Director may also be taken, in the manner provided by subsection (a) of this section, by a regular or provisional employee who is suspended or laid off and who claims that the suspension or lay-off was made for political, religious, or racial reasons. If the Director finds that the employee was suspended or laid off for any such reason, he shall be reinstated without loss of pay.

SECTION 37. Retirement system

The Director shall prepare and submit to the President recommendations concerning an actuarially sound retirement and pension system for persons holding positions in the classified service.

SECTION 38. Oaths, testimony, and the production of records

The Council and the Director shall have power to administer oaths, subpoena witnesses, and compel the production of books and papers pertinent to any investigation authorized by this act. Any person who shall fail to appear in response to a subpoena or to answer any question or produce any books or papers pertinent to any such investigation or who shall give false testimony shall be guilty of a misdemeanor.

SECTION 39. Refusal to testify

If any employee in the public service of the Republic shall wilfully refuse or fail to appear before any court or judge, any legislative committee, or any officer, board, or body authorized to conduct any hearing or inquiry, or having appeared shall refuse to testify or answer any question relating to the affairs or government of the Republic or the conduct of any officer or employee in the public service on the ground that his testimony or answers would tend to incriminate him, or shall refuse to waive immunity from prosecution on account of any matter about which he may be asked to testify at any such hearing or investigation, he shall forfeit his position and shall not be eligible for appointment to any position in the state service.

SECTION 40. Duty to furnish facilities

All officers and employees in the service of the Republic and of municipalities shall allow the Office the reasonable use of buildings under their control, and furnish heat, light, and furniture for any examination authorized by this act. The Office shall pay to a municipality the reasonable cost of any such facilities furnished by it.

SECTION 41. Duties of officers and employees

(a) All officers and employees in the public service of the Republic shall comply with, and aid in all proper ways in carrying out the provisions of this act and the rules, regulations, and orders thereunder. All officers and employees shall furnish any records or information which the Director or the Council may request for any purpose of this act.

(b) An officer or employee in the service of the Republic who shall fail to comply with any provision of this act or of any rule, regulation, or order thereunder shall be subject to all penalties and remedies now or hereafter provided

by law for the failure of a public officer or employee to do an act required of him by law. The Director may maintain such action or proceeding at law as he considers necessary or appropriate to secure compliance with this act and the rules, regulations, and orders thereunder.

SECTION 42. Records of the Office

The records of the Office, except such records as the rules may require to be held confidential for reasons of public policy, shall be public records and shall be open to public inspection subject to regulations as to the time and manner of inspection which may be prescribed by the Director.

SECTION 43. Political activities prohibited

(a) No person shall be appointed or promoted to, or demoted or dismissed from, any position in the classified service, or in any way favored or discriminated against with respect to employment in the classified service because of his political or religious opinions or affiliations or his race.

(b) No person shall seek or attempt to use any political endorsement or recommendation in connection with any appointment to a position in the classified

service. Persons whose names are on a list and who seek or attempt to use any political endorsement or recommendation for the purpose of securing an appointment, upon a finding by the Director that they have bought or attempted to use any political endorsement or recommendation for the purpose of securing an appointment, shall have their names placed last on such list.

(c) No person shall use or promise to use, directly or indirectly, any official authority, whether possessed or anticipated, to secure or attempt to secure for any person an appointment or advantage in appointment to a position in the classified service, or an increase in pay or other advantage in employment in any such position, for the purpose of influencing the vote or political action of any person or for any consideration.

(d) No employee in the classified service and no member of the Council, shall, directly or indirectly, pay or promise to pay any assessment, subscription, or contribution for any political organization or purpose, or solicit or take part in soliciting any such assessment, subscription, or contribution. No person shall solicit any such assessment, subscription, or contribution of any employee in the classified service.

(e) No employee in the classified service shall be a member of any committee of a political party, or an officer or member of a committee of a partisan political club, or a candidate for nomination or election to any public office, or shall take any part in the management or affairs of any political party or in any political campaign, except his right as a citizen privately to express his opinion and to cast his vote.

(f) The Director, or any member of the Council, who violates any of the foregoing provisions of this section shall forfeit his office or position. Any officer or employee in the classified service who violates entering salary of the grade to which his position is allocated and thereafter for a term of five years shall be ineligible to receive any salary increases provided in the pay plan.

(g) No person elected to public office shall, during the term for which he was elected, be appointed to any position in the classified service.

SECTION 44. Unlawful acts prohibited

(a) No person shall make any false statement, certificate, mark, rating or report with regard to any test, certification, or appointment made under any provision of this act or in any manner commit any fraud preventing the impartial execution of this act and the rules.

(b) No person shall, directly or indirectly give, render, pay, offer, solicit or accept any money, service or other valuable consideration for or on account of any appointment, promotion, or proposed promotion, or any advantage in a position in the classified service.

(c) No employee of the Office, examiner, or other person shall defeat, deceive, or obstruct any person in his right to examination, eligibility, certification or appointment under this act, or furnish to any person any special or secret information for the purpose of affecting the rights or prospects of any person with respect to employment in the classified service.

SECTION 45. Penalties

(a) Any person who wilfully violates any provision of this act or of the rules shall be guilty of a misdemeanor and shall upon conviction be furnished by a fine of not less than 20,000 bolivianos nor more than 250,000 bolivianos, or by imprisonment for a term not exceeding twelve months, or by both such fine and imprisonment.

(b) Any person who is convicted of a misdemeanor under this act shall, for a period of ten years, be ineligible for appointment to or employment in the service of the Republic, and if he is an officer or employee of the Republic, shall forfeit his office or position.

SECTION 46. Effective date

The provisions of this act shall become effective upon a certification by the President that all necessary basic studies have been completed, that operating procedures have been developed and installed, and that competent personnel

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BILL FOR THE CREATION OF THE
NATIONAL OFFICE OF BUDGET AND EFFICIENCY

AN ACT, to establish a system of budgetary administration and control for the Republic of Bolivia.

SECTION 1. National Office of budget and Efficiency

(a) There shall be in the government of the Republic of Bolivia a National Office of Budget and Efficiency, the administrative head of which shall be the Director of the National Office of Budget and Efficiency.

(b) Adequate annual appropriations shall be made to enable the office to carry out effectively the provisions of this act.

SECTION 2. Appointment of the Director and the Permanent Secretary

(a) The Director shall be appointed by the President and shall be removable by the President. He shall receive an annual salary which shall be fixed in accordance with the duties and responsibilities of comparable officers. He may, if appointed thereto by the President, also hold the office of Minister of Administration, in which case he shall receive the salary of Minister of State.

(b) The Director shall be assisted by a Permanent Secretary who shall be appointed by the Director in accordance with the provisions of the act of 1911 "An act to establish a system of personal administration for the civil service of the Republic of Bolivia" and he shall be in the classified service.

SECTION 3. Duties of the Director

The Director shall be executive head of the Office and shall direct and supervise all its activities. He shall:

(a) Prepare, for transmittal by the President to Congress on the first day of each regular session, the Budget, which shall set forth in summary and detail:

1. estimates of the expenditures and appropriations necessary in the judgment of the President for the support of the Government for the ensuing fiscal year;
2. estimates of the receipts of the Government during the ensuing fiscal year under (a) laws existing at the time the Budget is transmitted and (b) under revenue proposals, if any, accompanying the Budget;
3. the expenditures and receipts of the Government during the last completed fiscal year;
4. estimates of the expenditures and receipts of the fiscal year in progress;
5. the amount of appropriations, including balances of appropriations from prior fiscal years, available for expenditure during the fiscal year in progress, as of August 1 of each year;
6. Balanced statements of (a) condition of the National Treasury at the end of the last completed fiscal year, (b) the estimated condition of the National Treasury at the end of the fiscal year in progress, (c) the estimated condition of the National Treasury at the end of the ensuing fiscal year if the financial proposals accompanying the Budget are adopted;

7. all essential facts regarding the bonded and other indebtedness of the Government; and
8. such other financial statements and data as in the opinion of the President are necessary or desirable in order to make known in all practicable detail the financial condition of the Government.

(b) Require the preparation of estimates for the ensuing fiscal year by each Ministry and their submission to him not later than March 15 of each year. Each Minister shall require the preparation of estimates for activities under his charge by the Office of Budget and Efficiency of the Ministry and their completion before a date to be fixed by him. In the case of the failure cause to be prepared such estimates and data as are necessary to enable him to include in the Budget estimates and statements in respect to the work of such Ministry.

(c) Under rules and regulations prescribed by the President, assemble, correlate, revise, reduce, increase, or otherwise change or modify the estimates of the several Ministries.

(d) When directed by the President, make studies of any Ministry Government agency with a view to securing greater economy of efficiency the conduct of the public service and submit recommendations to the President regarding desirable changes in (1) the existing organization, activities, administration, and methods of operation of any Ministry, Government agency, or part thereof, (2) the appropriations therefor, (3) the assignment of particular activities to particular service, or (4) the regrouping of services. The results of such studies shall be embodied in reports to the President.

(e) Provide for the legal review of decree laws, Presidential orders, proposed laws, and rules and regulations issued by the respective Ministers, and develop, and from time to time amend, an administrative code to govern the administration and regulation of fiscal matters within the National Government.

(f) Allot periodically, at the direction of the President and on the basis of the Budget, amounts for the operation and maintenance of Government agencies during the current fiscal year, which allotments shall be made on the basis of reports and data supplied by the Director General of the Bureau of Accounts.

(g) Prescribe a system of classification of accounts to be used in Government agencies and require the use of such classification of accounts.

(h) Require from the Director General of the Bureau of Accounts within sixty days after the end of each fiscal year, a comprehensive statement of expenditures made during the fiscal year, such statement to be based upon the prescribed classification of accounts.

(i) Under such rules and regulations as the President shall prescribe, obtain from any Ministry or Government agency such information as may, in the discretion of the Director, be required, or for the purpose of securing such information, have access to, and the right to examine, any books, documents, papers, records, or correspondence of any such Ministry or Government agency.

SECTION 4. Authority to appoint employees

The Director is authorized to appoint such classified and unclassified employees as are necessary in the performance of the functions of the Office or to require the detail to the Office of employees from other Ministries or Government agencies; provided, however, that if any such employee is detailed for a period of more than one month the Director shall reimburse the appropriations of the Ministry or Government agency from which such employee is detailed by an amount equivalent to the salary of such employee while so detailed.

SECTION 5. Authority to delegate functions

The Director is authorized to delegate to any other officer or employee of the Office any functions vested in and empesed upon such Director by law.

SECTION 6. Authority to prescribe regulations

The Director is authorized to prescribe such regulations as may be necessary to enable the Office to exercise its functions under the provisions of this act or to recommend to the President the issuance of rules and regulations for the governance of administrative and fiscal matters within the purview of the authority of the President.

SECTION 7. Construction of this Act

All laws, or parts of laws, or provisions thereof inconsistent with the provisions of this act are hereby repealed.

SECTION 8. Effective date

The prosivions of this act shall become effective upon a certification by the President that all necessary basic studies have been completed, that operating procedures have been developed, and that competent personnel are available to administer the provisions of this act.

BILL FOR THE CREATION OF THE
BUREAU OF ACCOUNTS

AN ACT, to establish a system of financial and property accounting and a system of financial and property reporting for the Republic of Bolivia.

SECTION 1. Bureau of Accounts

There shall be in the Government of the Republic of Bolivia a Bureau of Accounts at the head of which shall be a Director General of Accounts with the power and duties hereafter enumerated.

SECTION 2. Appointment of the Director General of Accounts

The Director General shall be appointed by the Minister under whose charge the affairs of the Bureau of Accounts are placed by the President, and the appointment shall be made in accordance with the provisions of the Act entitled "An Act to establish a system of personnel administration for the civil service of the Republic of Bolivia," and he shall be in the classified service. He shall hold no other office.

SECTION 3. Duties of the Director General of Accounts

The Director General shall be the executive head of the Bureau of Accounts and shall direct and supervise all its activities and shall:

(a) Devise, prescribe, install, and administer a system of financial and property accounting and a system of financial and property reporting for Government agencies that will provide current financial and property information for the Executive, Congress, and interested Government agencies;

(b) Prepare monthly for transmission to the Ministry of Finance and the President:

1. A general lodger statement and balance sheet for the month.
2. A complete budget statement showing appropriations, allotments, and expenditures for the month; and
3. A statement of estimated and actual receipts for the month.

(c) Prepare annually for presentation to the Congress, the President, and the Ministry of Finance.

1. A complete and comprehensive statistical report on the financial condition and operations of the Government for the fiscal year;
2. a complete and comprehensive statement of receipts and expenditures properly classified on an accrual basis by sources and funds and by character object, functions, activities, and funds, for the fiscal year; and
3. a complete and comprehensive balance sheet by funds, consistent with the statements of financial operations, for the fiscal year.

SECTION 4. Consultation with other Government agencies

In the performance of his functions the Director General shall confer with the Director of the National Office of Budget and Efficiency, the Director General of Procurement and Property Control, or other officials, whenever the needs of efficient administration or uniformity will be promoted thereby. The Di-

rector of the National Office of Budget and Efficiency shall prescribe the system of classification of accounts to be used and the Director General of Accounts shall prescribe the accounting methods and procedures to be followed in accordance with such prescribed system of classification of accounts.

SECTION 5- Exemption of agencies

Whenever the President may find that the application of any provisions of this Act to the accounting system of any Government owned or Government controlled corporation would be detrimental to the operation of such corporation, he shall exempt such corporation from the provisions of this Act to the extent he deems necessary.

SECTION 6- Construction of this Act

All laws, or parts of laws, or provisions thereof inconsistent with the provisions of this Act are hereby repealed

SECTION 7-Effective date

The provisions of this Act shall become effective upon a certification by the President that all necessary basic studies have been completed, that operating procedures have been developed and installed, and that competent personnel are available to administer the provisions of this Act.

BILL FOR THE CREATION OF THE
BUREAU OF PROCUREMENT AND PROPERTY CONTROL

AN ACT, to establish a system of procurement and property control for the Republic of Bolivia.

SECTION 1. Bureau of Procurement and Property Control

(a) There shall be in the Government of the Republic of Bolivia a Bureau of Procurement and Property Control at the head of which shall be a Director General of Procurement and Property Control with the powers and duties hereafter enumerated.

(b) In the Bureau of Procurement and Property Control there shall be an Advisory Board on Procurement and Standardization, with the powers and duties hereafter enumerated.

(c) Adequate annual appropriations shall be made to enable the Bureau of Procurement and Property Control to carry out effectively the provisions of this act.

SECTION 2. Appointment of the Director General of Procurement and Property Control.

The Director General shall be appointed by the Minister under whose charge the affairs of the Bureau of Procurement and Property Control are placed by the President, and the appointment shall be made in accordance with the provisions of the Act entitled "An Act to establish a system of personnel administration for the civil service of the Republic of Bolivia." and he shall be in the classified service. He shall hold no other office.

SECTION 3. Duties of the Director General of the Bureau of Procurement and Property Control.

The Director General shall be the executive head of the Bureau of Procurement and Property Control and shall direct and supervise all its activities and shall:

(a) Solicit sealed, competitive bids for the purchase of and contracts for the purchase of and contracts for supplies, materials, equipment, and contractual services required by any Government agency, the estimated amount of which is in excess of 10,000 bolivianos. All bids shall be based on such standard specifications as may be adopted in accordance with the provisions of this Act. All bids with alterations or erasures therein shall be rejected.

Accompanying statements or communications which are not in accordance with the specifications shall not be considered in making the award. The Director General shall solicit sealed, competitive suppliers and by advertising or posting on public bulletin boards. Each bid, with the name of the bidder, shall be entered on a record, and such record with the successful bid indicated thereon shall, after the award of the order or contract, be open to public inspection.

(b) Purchase and award written contracts or purchase orders supplies, materials, equipment, and contractual services required by any Government agency, the estimated amount of which is in excess of 10,000 bolivianos. The Director General is hereby authorized to purchase, at his discretion, on the open market, commodities and supplies required by any Government agency or agencies costing not more than 10,000 bolivianos. All contracts, purchases, and open market orders made by the Director General shall be awarded to the bidder whose bid is determined by the Director General to serve best the interest of the Government, taking into consideration the quality of the articles or services to be supplied, their conformity with the specifications, the price, delivery terms, and the service reputation of the vendor; provided, that the Director General's action with respect to purchases or contracts involving the expenditure of more than 50,000 bolivianos shall be approved by the Council of Ministers before taking effect. The formal contracts shall be approved as to form by the Legal Coordination Section of the National Office of Budget and Efficiency.

SECTION 4. Quantity Purchasing

Supplies, materials, and equipment in common use by more than one Government agency or used in large quantities by one Government agency, may be purchased for stores, or contracted for by the Director General on the basis of the total advance requisitions or estimates previously filed by Government agencies covering their requirements for a future period, to be delivered as needed and paid for out of an account provided for that purpose, which account shall be reimbursed, whenever goods are issued from stores, by transfer from the appropriation of the Government agency receiving the same.

SECTION 5. Appointment of the Advisory Board on Procurement and Standardization.

The members of the Advisory Board of Procurement and Standardization shall be nominated by the Director and appointed by the President. The Advisory Board shall be composed of one representative from each Government agency affected by the provisions of this Act. The members shall serve without additional compensation. The chairman of the Advisory Board shall be the Director General.

SECTION 6. Duties of the Advisory Board of Procurement and Standardization.

The Advisory Board of Procurement and Standardization shall aid the Director General in the development of procurement specifications, the standardization of commodities used by Government agencies, and in the formulation of rules and regulations. In the performance of these functions they shall:

(a) Classify the requirements of Government agencies for supplies, materials, and equipment.

(b) Adopt as standards the smallest number of qualities, sizes, and varieties of such supplies, materials, and equipment consistent with the needs of the Government.

(c) Adopt, and from time to time amend, written specifications describing such standards, which specifications shall not take effect

Each specification adopted for any commodity shall, insofar as practicable, satisfy the requirements of the majority of the Government agencies which use the commodity. After its adoption, each standard shall, until revised or rescinded, apply alike in terms and effect to every future purchase and contract for the commodity prescribed in such specification; Provided, however, that the Director General may exempt any Government agency from use of such specification.

SECTION 7. Rejection of bids.

The Director General may reject all bids for any contract or purchase under 50,000 bolivianos, or for any one or more commodities included in such bid when the public interest will be served thereby, in which event he shall report such action to the next meeting of the Council of Ministers. If all bids so rejected are for the same unit price or total amount or if the public interest will not permit the delay of soliciting or re-advertising for bids, the Director General shall have authority to purchase the required supplies, materials, equipment, or contractual services in the open market, provided the price paid in the open market shall not exceed the lowest bid price.

SECTION 8. Barring of Irresponsible Bidders.

Any vendor who fails to live up to the terms of his contract for the delivery of material, supplies, or equipment, may be declared an irresponsible vendor by the Director General and shall not, for a period of one year thereafter be awarded any further order for furnishing such supplies, materials, or equipment to any Government agency unless the Council of Ministers shall by three-fourths vote remove such disqualification.

SECTION 9. Emergency Purchasing

In the case of the occurrence of any breakage or loss of equipment or in other

circumstances which could not reasonably be anticipated whereby any necessary regular service of the Government is, or is about to be, interrupted, or whereby the Government will suffer any great or continuing loss, the Director General, upon the request of the head of the Government agency, may negotiate an emergency purchase to restore or maintain such service or to terminate such loss, without advertising for bids and in such amount as may be necessary in the circumstances. In case of such emergency purchases involving amount of more than 10,000 bolivianos, the Director General shall, at the next meeting of the Council of Ministers, render a full report on the case.

SECTION 10. Property Control, Reports, and Inventories

The Director General, with the assistance of the Advisory Board of Procurement and Standardization, shall study and make recommendations to the Director General of the Bureau of Accounts with respect to the installation and maintenance by the Bureau of Accounts of an effective system for controlling and accounting for public property. The Bureau of Accounts shall keep an accurate record of the fixed assets in the custody of any Government agency and of all supplies, commodities, and equipment delivered to all Government agencies and on hand in store-rooms operated by any Government agency. At the end of each fiscal year, the head of each Government agency shall supply the Bureau of Accounts with an inventory of all such materials then on hand in any such store-room under his direction. Such inventories or other information regarding public property shall be made available to the Bureau of Procurement and Property Control upon request.

SECTION 11. Rules and Regulations

After consultation with the Advisory Board of Procurement and Standardization, the Director General shall adopt, promulgate, and from time to time amend, rules and regulations not inconsistent with law for the following purposes:

- (a) To prescribe the manner in which supplies, materials, and equipment shall be delivered, stored, and distributed.
- (b) To prescribe the dates for submitting advance requisitions or estimates of future purchase requirements, the future period which they shall cover, the form in which they shall be submitted, and their revision by the Director General.
- (c) To prescribe the manner of inspecting all deliveries of supplies, materials, and equipment.
- (d) To require periodic reports by Government agencies of stock supplies, material, and equipment on hand and to prescribe the form such reports.
- (e) To prescribe the amount of deposit or bond to be submitted with a bid or a contract and the amount of deposit or bond to be given for the faithful performance of a contract.
- (f) To provide for emergency purchases in the open market for immediate delivery in emergencies, and to prescribe the manner in which purchases shall be made.
- (g) To provide for such other matters as may be necessary to give effect to the foregoing rules and provisions of this Act.

SECTION 12. Unlawful Purchases

Whenever an officer or employee of the Government shall purchase or contract for any supplies, materials, or equipment or contractual services contrary to the provisions of this Act or the rules or regulations made thereunder, such order or contract shall be void and of no effect and such employee or officer shall be subject to disciplinary action.

SECTION 13. Exemption of Agencies

Whenever the public interest requires it, the President is authorized to exempt any supplies, materials, equipment, or contractual services, or any item thereof from the provisions of this Act; Provided, however, that no such exemptions shall be granted in terms of specific Government agencies and that no such exemption shall be valid for a period of more than one year unless renewed by the President. The Director General is authorized to submit recommendations to the President regarding such exemptions or their termination.

SECTION 14. Continuance of Contracts

All purchase orders or contract entered into by the Government, or for its benefit, prior to the taking effect of this ordinance, shall be continued and perfected thereunder for their respective terms.

SECTION 15. Effective Date

The provisions of this Act shall become effective upon a certification by the President that all necessary basic studies have been completed, that operating procedures have been developed and installed, and that competent personnel are available to administer the provisions of this Act.

BILL FOR THE DEFINITION OF THE DUTIES OF THE
COMPTROLLER GENERAL OF THE REPUBLIC

AN ACT, to establish a system of post-audit in the National Government.

SECTION 1. Comptroller General of the Republic

(a) There shall be in the public administration of the Nation, and independent of the control of the Executive Power, an office of accounting and fiscal control to be designated as the Comptroller General of the Republic which shall function under the direction of the Comptroller General.

(b) Associated with the Comptroller General of the Republic there shall be a Permanent joint Committee on Public Accounts, composed of three representatives of each House of the National Congress appointed by the presiding officers thereof with the power and obligations enumerated in the present law.

(c) There shall be provided annually in the Budget adequate funds for the said Comptroller General of the Republic and Permanent Joint Committee on Public Accounts to carry out the provisions of the present law with efficiency.

SECTION 2. Appointment of the Comptroller General

The Comptroller General shall be appointed by the President of the Republic and the Council with the consent of the Senate. The term of his employment shall be 6 years and he may be re-elected. He shall receive an annual salary of a Minister of State. He shall hold no other office.

SECTION 3. Duties of the Comptroller General

(a) The Comptroller General shall have made a post-audit of all public accounts, which post-audit shall be conducted as nearly as practicable in the Vicinity of disbursing offices of the National Government located in La Paz and elsewhere shall furnish daily to the accountable officers concerned, the Ministry of Finance, and the Comptroller General, notice of any exceptions taken to items in the accountable officers accounts, together with statements of the reasons therefor.

(b) The Minister of Finance shall furnish copies of all certificates of settlement issued by the Ministry of Finance, which the Comptroller General shall cause to be examined thoroughly, and shall promptly notify the Minister of Finance of, and report to the Congress, or to the Permanent Joint Committee on Public Accounts when the Congress is not in session, all public accounts deemed by the Comptroller General to have been improperly settled by the Ministry of Finance. No report shall be made to the Congress, however, or to the Permanent Joint Committee on Public Accounts, with respect to any such disagreement between the Comptroller General and the Ministry of Finance until 30 days after the Ministry of Finance has been notified of such disagreement. Nor shall any report be made to the Congress, or to the Permanent Joint Committee on Public Accounts, if the Ministry of Finance revises his decision to accord with the report of the Comptroller General.

(c) The Comptroller General shall report to the Director of the National Office of Budget and Efficiency and to the Congress, or to the Permanent Joint Committee on Public Accounts when the Congress is not in session, any expenditure of public monies deemed by the Comptroller General to have been an unwise expenditure or to have been imprudently made, which has come to the attention of the Comptroller General in the ordinary course of the exercise of its post-auditing functions.

(d) The Comptroller General shall make such investigations and reports as shall be requested by either House of Congress, or by the Permanent Joint Committee on Public Accounts, or by any committee of either House, having jurisdiction over expenditures, appropriations or revenue; and the Comptroller General shall at the request of any such committee, direct assistants from the Office of the Comptroller General to furnish the committee such aid and information as it may request.

(e) The Comptroller General, or any of his assistants or employees when duly authorized by him, shall, to the extent necessary to perform the functions vested in and imposed upon the Comptroller General and the Office of the Comptroller General, have access to and the right to examine any books, documents, papers, or records of the Ministry of Finance or of any agency of the Government. This authority shall not be applicable to expenditures not now subject to the jurisdiction of the Comptroller General.

(f) When so instructed by the Permanent Joint Committee on Public Accounts, the Comptroller General shall institute proceedings in the ordinary courts against officials and employees to be guilty of violations of law in connection with financial transactions involved in the performance of their official duties, and when so instructed he shall have and exercise all of the powers of the Attorney General of the Republic.

(g) The Comptroller General and the Office of the Comptroller General shall exercise no functions other than those vested in and imposed upon them by this Act, and nothing contained in this Act shall be construed as authorizing the Comptroller General or the Office of the Comptroller General to revise the settlements of public accounts made by the Minister of Finance, or to participate in the establishment or operation of any system of accounting set up by the Ministry of Finance for current accounting control of the National Government.

SECTION 4. Organization of the Permanent Joint Committee on Public Accounts

(a) The members of the Permanent Joint Committee on Public Accounts shall elect a chairman and vice-chairman from among their own number, and shall have the power to appoint and fix the compensation of a clerk and such experts and clerical, stenographic, and other assistance as they deem advisable.

(b) The members of the Permanent Joint Committee on Public Accounts shall serve without compensation in addition to that received for their services as members of the Congress; but they shall be reimbursed for travel, subsistence and other necessary expenses incurred by them in the exercise of the functions vested in and imposed upon the Permanent Joint Committee on Public Accounts, other than expenses in connection with meeting of the Permanent Joint Committee on Public Accounts held in La Paz during such times as the Congress is in session.

(c) Four members of the Permanent Joint Committee on Public Accounts shall constitute a quorum.

SECTION 5. Duties of the Permanent Joint Committee on Public Accounts

(a) The reports of the Comptroller General shall be referred by the Congress to the Permanent Joint Committee on Public Accounts, and the Permanent Joint Committee shall examine and study such reports and the reports of the Comptroller General submitted to the Permanent Joint Committee when the Congress is not in session, as provided in Section 3, and shall make and submit findings with respect to such reports to the Congress as promptly as possible.

(b) To aid the Permanent Joint Committee in its examination and study of the reports of the Comptroller General, the Permanent Joint Committee, or any sub-committee thereof, is authorized (1) to hold public hearings and to sit and act in executive session at any place or time; (2) to request any officer or employee of any agency of the Government to attend any such hearings or sessions and to produce any books, papers, or documents relative to any settlement or expenditure deemed by the Office of the Comptroller General, and reported by the Comptroller General in accordance with Section 3b, to have been improperly or improvidently made, and to testify with respect thereto; (3) to require by legal writ issued under signature of the chairman or vice-chairman, the attendance of other witnesses and the production of any other books, papers or documents; (4) to request the Comptroller General to sit with the Permanent Joint Committee in an advisory capacity at public hearings, or in executive sessions; (5) to administer oaths; (6) to take testimony; (7) to have printing done; (8) to make expenditures.

(c) When in the opinion of the Permanent Joint Committee on Public Accounts the Executive Branch of the Government has failed to take proper remedial action

with respect to exceptions noted by the Office of the Comptroller General as provided in Section 3 b and c, within a period of 90 days after the accountable officer or the Minister of Finance, respectively, have been informed of the exception, it shall, if the Congress is in session, report fully its findings and recommendations with respect to such failure of the Executive Branch to the Congress, and if the Congress is not in session it may authorize the Comptroller General to institute proceedings in the ordinary courts against the accountable officer or officers involved in transactions to which legally remediable exceptions are taken by the Office of the Comptroller.

BILL FOR THE CREATION OF
THE OFFICE OF NATIONAL RESOURCES PLANNING

AN ACT, to establish a system of planning for the use of the national resources of Bolivia.

SECTION 1. Office of National Resources Planning

(a) There shall be in the Government of the Republic of Bolivia an Office of National Resources Planning, the administrative head of which shall be a Director of National Resources Planning.

(b) In the office there shall be an Advisory Council of National Resources Planning, with the powers and duties hereafter enumerated.

(c) Adequate annual appropriations shall be made to enable the office to carry out effectively the provisions of this Act.

SECTION 2. Appointment of the Director and Permanent Secretary.

(a) The Director shall be appointed by the President, and shall be removable by the President. He shall receive an annual salary which will be fixed in accordance with the duties and responsibilities of comparable officers. He shall hold no other office.

(b) The Director shall be assisted by a permanent Secretary who shall be appointed by the Director in accordance with the provisions of the Act entitled "An Act to establish a system of personnel administration for the civil service of the Republic of Bolivia."

SECTION 3. Organization of the Advisory Council.

(a) The members of the Advisory Council shall be citizens of the Republic and shall have wide knowledge of the Republic and its resources, and be in sympathy with the object of planning for the use of those resources.

(b) The members of the Advisory Council shall be appointed by the President and shall be removable by the President. The Advisory Council shall consist of five members.

(c) Members of the Advisory Council shall each be paid one thousand bolivianos for each day devoted to the work of the Advisory Council but not more than forty thousand bolivianos in any one year. They shall be entitled to reimbursement for necessary travel and other expenses.

(d) The President shall designate one of the members of the Advisory Council as chairman and shall designate another member as vice-chairman. The vice-chairman shall act as chairman in the absence of the chairman or in the event of a vacancy in that office. The Director shall act as the secretary of the Advisory Council.

(e) The Advisory Council shall determine the rules of its own proceedings and a majority of its members shall constitute a quorum for the transaction of business, but it may function notwithstanding vacancies.

SECTION 4. Duties of the Director

The Director, subject to the policies established by the Advisory Council, shall be executive head of the office and shall direct and supervise all its administrative, investigative, and technical activities. He shall attend all meetings of the Advisory Council and act as its secretary and keep minutes of its proceedings. In addition, he shall:

(a) Investigate, examine, study, analyze, assemble, coordinate, and periodically review and revise basic information and materials appropriate to plans or planning policies for the development and utilization of the resources of the

Republic, both natural and human, and on the basis thereof initiate and propose in an advisory capacity such plans and planning policies.

(b) Obtain data and reports from, cooperate and participate in the work of and consult with any agencies of the Republic and of any department or municipality thereof, as well as any public or private planning or research agencies and institutions. Such cooperation and participation in the work of any such institutions, other than those of the Government of the Republic, may be by grants or funds or otherwise.

(c) Prepare and submit studies, reports, and recommendations upon matters under this Act for presentation to the President or upon the request of the President.

(d) Encourage the process of planning in all parts of the Republic by whatever means deemed advisable, whether by sub-councils or otherwise.

(e) In cooperation with the agencies of the Republic develop uniform methods for reporting statistics (except financial statistics), preparing maps, and collecting other types of information and data the value of which is increased by uniform methods of preparation, and collect, and maintain facilities for the collection of such other information and data as cannot feasibly be collected or maintained by any other or other agency of the Government.

SECTION 5. Duties of the Advisory Council

The Advisory Council shall propose and suggest to the Director desirable planning projects and shall advise with him regarding any matters related to his duties as enumerated in Section 4.

SECTION 6. Authority to appoint employees

The Director is authorized to appoint such classified and unclassified employees as are necessary in the performance of his duties.

SECTION 7. Authority to delegate functions

The Director is authorized to delegate to any other officer or employee of the office any functions vested in and imposed upon such Director by law.

SECTION 8. Duty of the Director to submit reports

The Director shall prepare and submit annually to the President a report setting forth and summarizing the work of the Office of National Resources Planning, during the preceding year, and shall include therein such information, data, and recommendations as he may deem advisable concerning matters within his jurisdiction.

SECTION 9. Effective date

The provisions of this Act shall become effective upon a certification by the President that all necessary basic studies have been completed, that operating procedures have been developed, and installed, and that competent personnel are available to administer the provisions of this Act.

BILL FOR THE CREATION OF THE
NATIONAL OFFICE OF PROPAGANDA

AN ACT, to establish a system of public reporting for the Republic of Bolivia.

SECTION 1. National Office of Propaganda

(a) There shall be in the Government of the Republic of Bolivia a National Office of Propaganda, the administrative head of which shall be a Director of Propaganda.

(b) In the office there shall be an Advisory Council of Propaganda, with the powers and duties hereafter enumerated.

(c) Adequate annual appropriations shall be made to enable the office to carry out effectively the provisions of this Act.

SECTION 2. Appointment of the Director and Permanent Secretary

(a) The Director shall be appointed by the President and shall be removable by the President. He shall receive an annual salary which shall be fixed in accordance with the duties and responsibilities of comparable officers. He shall hold no other office.

(b) The Director shall be assisted by a Permanent Secretary who shall be appointed by the Director in accordance with the provisions of the Act entitled "An Act to establish a system of personnel administration for the civil service of the Republic of Bolivia," and he shall be in the classified service.

SECTION 3. Organization of the Advisory Council

(a) The members of the Advisory Council shall be citizens of the Republic and shall have wide knowledge of the Republic and of its citizens. Members shall be in sympathy with the object of providing adequate, accurate, and interesting reports to the public regarding the objectives, work, and accomplishments of the Bolivian National Government.

(b) The members of the Advisory Council shall be appointed by the President and shall be removable by the President. The Advisory Council shall consist of five members.

(c) Members of the Advisory Council shall be paid one thousand Bolivianos for each day devoted to the work of the Advisory Council, but not more than forty thousand Bolivianos in any one year. They shall be entitled to reimbursement for necessary traveling and other expenses.

(d) The President shall designate one of the members of the Advisory Council as Chairman, and the Director shall act as the Secretary.

(e) Three members of the Advisory Council shall constitute a quorum but it may function notwithstanding vacancies in its membership.

SECTION 4. Duties of the Director

The Director shall be executive head of the office and shall direct and supervise all its activities. With the advice of the Advisory Council he shall establish policies for the office and shall:

(a) Collect, assemble, analyze, study, review, and coordinate information regarding the policies, programs, accomplishments, plans, and progress of the work of the Bolivian National Government.

(b) Arrange for the preparation, presentation, and dissemination to the public of such information by whatever means he deems desirable, whether by newspapers, periodicals, radio, cinema, exhibits, or otherwise.

(c) Assist the various agencies of the Government in the establishment, maintenance, and use of an administrative reporting system.

(d) Prepare and submit periodical progress reports on the work of the Bolivian National Government for presentation to the President or upon the request of the President.

SECTION 5. Duties of the Advisory Council

The Advisory Council shall:

(a) Advise and aid the President and Director in the formulation of the Government publicity policies.

(b) Render to the President, when requested, assistance and advise regarding the presentation of special problems of public policy to the Nation.

(c) Make suggestions designed to improve the effectiveness of methods used in providing citizens with information regarding the operation of Government services.

(d) Advise the Director with regard to measures which will insure the reliability and integrity of information issued by the Government.

SECTION 6. Authority to appoint employees

The Director is authorized to appoint such classified and unclassified employees as are necessary in the performance of the functions of the office.

SECTION 7. Authority to delegate functions

The Director is authorized to delegate to any other officer or employee of the office any functions vested in and imposed upon such directed by law.

SECTION 8. Authority to prescribe regulations

The Director is authorized to prescribe such regulations as may be necessary to enable the office to exercise its functions under the provisions of this Act.

SECTION 9. Duty of the Director to submit reports

The Director shall prepare and submit annually to the President a report setting forth and summarizing the work of the office during the preceding year and shall include therein such informations as he may deem advisable concerning matters within his jurisdiction.

SECTION 10. Effective date

The provisions of this Act shall become effective upon a certification by the President that all necessary basic studies have been completed, that operating procedures have been developed and installed, and that competent personnel are available to administer the provisions of this Act.

BILL PROVIDING FOR THE
ORGANIZATION OF THE NATIONAL GOVERNMENT

A LAW to establish continuing Presidential responsibility for the efficient administration of the National Government of the Republic.

SECTION 1. Standards of governmental reorganization

The President of the Republic shall investigate the organization of all agencies of the National Government, and shall determine what changes therein are necessary to accomplish any of the following purposes.

- (a) To improve the effectiveness of the administrative management of the Government.
- (b) To reduce expenditures to the fullest extent consistent with the efficient operation of the Government.
- (c) To increase the efficiency of the operations of the Government to the fullest extent practicable within the revenues.
- (d) To group, coordinate, consolidate, reorganize and segregate agencies and functions of the Government, or any part thereof, as nearly as may be, according to their major purposes.
- (e) To reduce the number of such agencies by regrouping or consolidating those having similar functions under a single head, and by abolishing such agencies or functions, or any part thereof, as may not be necessary for the efficient conduct of the Government.
- (f) To eliminate overlapping and duplication of effort and expenditures.

SECTION 2. Powers of the President

Whenever the President, after investigation, shall find and declare that any transfer, retransfer, regrouping, coordination, consolidation, reorganization, segregation, or abolition of the whole or any part of any agency, or the functions thereof, is necessary to accomplish any of the purposes set forth in Section 1, he may by Executive Decree, concurred in by the Minister of Administration:

- (a) Transfer or retransfer the whole or any part of any agency, or the functions thereof, to the jurisdiction and control of any other agency.
- (b) Establish any agency to receive the whole or any part of any other agency, or the functions thereof, and this shall include the power to establish Government owned corporations and direct that such action be taken as may be necessary to effect the transfer to any such corporation of the assets and liabilities of any existing Government owned corporation or of any property under the control of the Government, and empower such Government owned corporation to exercise such functions as may be necessary to effectuate the purposes for which such corporations were, or may be, established.
- (c) Regroup, coordinate, consolidate, reorganize or segregate the whole or any part of any agency, or the functions thereof.
- (d) Abolish the whole or any part agency, or the functions thereof, and this shall include the liquidation and dissolution of any Government owned corporation in accordance with the laws of the Republic.
- (e) Prescribe the name and functions of any agency transferred, retransferred, established, regrouped, coordinated, consolidated, or reorganized, and the titled, functions, terms and method of appointment of its head, or of any of its officers of employees consistent with the provisions of the Law establishing the National Office of Personnel.

SECTION 3. Number of Ministries

There shall be seven Ministries of the National Government, to which shall be allocated all agencies and functions of the Government, except those which are or may be vested in Government owned corporations or allocated to the Office of the President, as follows:

- (a) Ministry of Foreign Affairs and Religion
- (b) Ministry of Finance
- (c) Ministry of National Economy
- (d) Ministry of Communications and Public Works
- (e) Ministry of Education
- (f) Ministry of Health and Social Security
- (g) Ministry of National Defense

SECTION 4. Office of the President

There shall be an Office of the President to which agencies and functions or parts thereof may be allocated consistently with the purpose expressed in Section 1, which shall be headed by a Minister of Administration serving under the immediate supervision and control of the President of the Republic.