

AIRGRAM

DEPARTMENT OF STATE

5100064-2

UNCLASSIFIED
CLASSIFICATION

PD-AAB-870-51

For each address check one ACTION INFO

TO - AID/W

TOAID A- 490 x

DATE REC'D.

9 19 12p.

3

DISTRIBUTION

ACTION

INFO.

LA
WC
BUD
CC
ACC
PRE
AAP
SRD
IAD
OLAB
OKS
ROW

FROM - Buenos Aires

SUBJECT - Public Administration PROP

REFERENCE -

NONCAPITAL PROJECT PAPER (PROP)

Country: ARGENTINA

Project No. 510-11-750-064

Submission Date: (Original x)

Revision No. _____

Project Title: Public Administration

U.S. Obligation Span: FY 1970 through FY 1972

Physical Implementation Span FY 1970 through FY 1972

Gross Life-of-Project Financial Requirements

U.S. Dollars 3,200,000

U.S. owned local currency none

Cooperating country cash contribution none
(in \$ equivalent, current exchange rate)

TOTALS

There will be considerable local contribution in the form of physical facilities for technical teams, facility expansion, acquisition of new equipment, assignment of counterparts, hiring of new staff, raising of salaries, etc. Although an accurate or meaningful cost estimate is not possible at this time, GOA input will far outweigh U.S. contributions if local commitment to the project goals continues.

OTHER AGENCY

State
BB

PAGE 1 OF 12 PAGES

DRAFTED BY

REScobie mm

OFFICE

Program

PHONE NO. DATE

APPROVED BY:

AID RFP RLippincott

AID AND OTHER CLEARANCES

APC BCPatchen

UNCLASSIFIED
CLASSIFICATION

(Do not type below this line)

PUBLIC ADMINISTRATION

I. Summary

Justification and necessity - In many countries receiving technical assistance the state of development is such that wholly new institutions must be created to carry out the elementary functions of government. Such is not the case in Argentina. An "old" nation by world-wide standards, it has had a basic institutional framework for more than a century, and the evidence of a heavily bureaucratized state is everywhere.

Yet many of the forms and structures of government, both national and local, have not changed since the turn of the century. Vital public agencies, charged with the responsibilities of revenue collection, customs administration, education, public safety, public health are frequently in desperate need of reorganization and reform. Decades of political instability, bureaucratic inertia and neglect have left the nation and its provincial components with mechanisms for the administration of public tasks which are often overstuffed, underskilled and inefficient. If the nation is to develop up to its own potential, with a citizenry basically confident in their own government's ability to perform, the style and quality of public administration must be upgraded.

Project goals on a national level include the substantial administrative upgrading of the major national revenue producing agencies -- the Customs and Internal Revenue Services -- and a corresponding increase in the volume of revenue collected. If successful, this would not only have beneficial effect upon the national economy, but also serve as a highly visible model for reform in other areas; and, perhaps most important, it would give immediate evidence to citizens at large, almost all of whom are directly affected by these institutions, that the government is capable of carrying out these functions with ability and efficiency. Administrative improvements and increases in efficiency are also objectives in the important Social Security Administration, the General Accounting Office, and the Bureau of the Budget. In the provincial level, USAID plans to provide assistance to the largest and most influential provinces in tax reform and general administration. Here, the objective is to strengthen local governments to enable them to better serve the needs of the population, and facilitate current governmental goals of decentralized administration.

Continued support of this project will be contingent upon continuing local interest as evidenced by budgetary support of agencies receiving attention, a reasonable rate of acceptance of, and significant action on, recommendations offered, and a willingness to make organizational and personnel adjustments where these are clearly necessary for the success of the program.

The general plan of action in each of the sub-projects which make up this project, is the combination of U.S. technicians, usually working in teams of three or more, with local counterparts and participant training in the U.S. for key functionaries with responsible positions within the local structures and high potential for future contributions to the program.

NONCAPITAL PROJECT FUNDING (OBLIGATIONS IN \$000)

4 Table 1
Page 1 of 2
COUNTRY: ARGENTINA

Project Title: Public Administration

PROP DATE Mo/Day/Yr
Original x
Rev. No.
Project No. 510-11-759-005

| Fiscal Years | Ap | L/G | Total | Conty/ | Personnel Serv. | | | Participants | | Commodities | | Other Costs | |
|---------------------------------|----|-----|-------|--------|-----------------|-------|-------|---------------|------|-------------|------|---------------|------|
| | | | | | AID | PASA | CONF | U.S. Agencies | CONT | Dir U.S. Ag | CONT | Dir & U.S. Ag | CONT |
| Prior through Act. FY <u>68</u> | AG | G | 892 | 215 | 84 | 526 | 214 | 45 | - | 9 | - | 13 | 1 |
| Oper. FY <u>69</u> | AG | G | 900 | 273 | - | 417 | 273 | 200 | - | - | - | 10 | - |
| Budg. FY <u>70</u> | AG | G | 1,100 | 393 | - | 457 | 393 | 240 | - | - | - | 10 | - |
| B + 1 FY <u>71</u> | AG | G | 1,100 | 400 | - | 450 | 400 | 250 | - | - | - | - | - |
| B + 2 FY <u>72</u> | AG | G | 1,000 | 400 | - | 300 | 400 | 300 | - | - | - | - | - |
| B + 3 FY <u> </u> | | | | | | | | | | | | | |
| All Subs. | | | | | | | | | | | | | |
| Total Life | AG | G | 4,992 | 1,681 | 84 | 2,150 | 1,680 | 1,035 | - | 9 | - | 33 | 1 |

UNCLASSIFIED

TOTAL A - 490

BUDGET AIDS

UNCLASSIFIED

1/ Memorandum (nonadd) column

II. Setting

The problems in public administration in Argentina were not born in a day. They are an accumulation of many years and many governments, of assorted laws and decrees governing organization, hiring practices, budgets and functions, and of years of habit on the part of both employees and the public at large. In most state agencies the same pattern of symptoms is present in varying degrees of gravity.

Personnel policies determine the kind and quality of staff available to any enterprise, public or private, and in Argentine public service they have frequently been archaic. The most pressing problems in this area are usually (1) the absence of a uniform classification and salary plan (employees are paid salaries based on family size, possession of professional titles, participation by some employees in fines paid by taxpayers, different pay incentives for different agencies, etc.), (2) salaries are often not related to the responsibilities on the job, and (3) present salary practices are often unrelated to the budget and planning processes. Without a position classification plan, agencies must try to build a career corps of employees without a means of deciding on minimum qualifications for jobs, and thus, appointments can be and are made without reference to skills, knowledge, experience or training. Under these conditions, truly able employees quickly leave the agencies for more promising careers elsewhere.

Salary levels are usually unrealistically low, resulting in widespread moonlighting and part-time functioning ~~of~~ technically full-time employees. Top talent cannot be attracted or held unless this situation is altered substantially.

Skill levels on the job are frequently low, outdated or inappropriate for the requirements of the task. In-service training programs are woefully inadequate and not often capable of upgrading the level of performance of technicians or supervisors.

Accounting and auditing procedures are frequently needlessly complex and inefficient, with unclear lines of responsibility, duplication of effort, and lack of internal controls. Because of weaknesses in fiscal management in most public agencies, fiscal planning and the budgeting process has become highly hypothetical and divorced from operational realities.

Organizational problems often contribute to the problems as well. In Internal Revenue, some functions were over-centralized while others were impossibly fragmented; and in the provinces, frequently ministerial responsibilities encompass too wide a range of activities while the executive branches function with inadequate staff.

These problems and many more, have resulted in inefficiency and ineffectiveness in many public agencies; and this has contributed greatly to a high degree of cynicism about their ability to perform on the part of much of the population. In the area of tax collection this problem has been particularly acute, with widespread tax fraud, usually undetected and unpunished, deliberate delay in payment in order to take advantage of an inflationary economy, and a scoff-law attitude on the part of a large percentage of intended taxpayers. Inadequate policing functions and unfunctioning fraud procedures have tended to encourage the dishonest citizen in his efforts to evade taxes. The result has been seriously reduced collections in all sectors of the economy.

The Customs service, responsible for 30% of the national revenue, is also in need of administrative reform. The flow of commerce is handled inefficiently both from the point of view of protecting the nation's economic interests and the revenues being lost. Shipments are inordinately delayed in customs, there is a high level of irregularities among employees, assessment of duties is not performed systematically, and smuggling and fraud are widespread.

The Revolution of 1958 has had as one of its central pillars the 'rationalization' of State Administration. In state-run public utilities and agencies, and in the leadership in provincial government, 'Interventors' have been appointed by the national government to guide administrative reforms. Recognizing that these are areas in which progress is only possible with the help of international experience and technical knowledge, the USAID has entered into agreements for technical assistance with USAID for the provision of assistance in National Tax and Customs reform and Provincial Tax reform in the Province of Buenos Aires, and to date has given complete support to each of these efforts. Because of the suspension of the electoral process and the current inactivity of many political forces which had blocked earlier attempts at change, forward movement has been rapid and the outlook for continued progress is optimistic.

III. Strategy

The strategy options available would seem to be limited to (1) the one presently in effect in three areas -- namely, the furnishing of technical assistance in a broad attack on all major administrative problems through specialized teams of full-time advisors and substantial additional assistance from TDY specialists; or (2) accomplishing this objective by wider use of TDY advisors with a variety of technical qualifications.

The alternative method of furnishing technical assistance principally in the form of TDY personnel would require one full-time generalist in each team to direct the program and serve as principal advisor. Difficulties which might be encountered in this method would be possible shortages of

personnel with the desired technical and language abilities, or unwillingness on the part of such personnel to accept relatively long periods of temporary duty abroad. Advantages would include savings on transportation and maintenance of families and effects, less loss of time while waiting for indispensable co-operating country actions, and firmer prior understandings concerning the scope of specific project components.

The first alternative has been chosen principally because this procedure has been tried and found to be more successful in customs and tax programs in many countries already. To move a complex bureaucracy forward requires a total push in several areas simultaneously, and this has been found to be possible only when several specialists are working in a continuing relationship with top level counterparts in each of the major departments.

There is high-level support for this project from the National Development Committee (CONAD), the highest planning authority in the GCA, and from the Ministry of Economy, the Secretariat of Finance, the Customs and Tax directions, and the Province of Buenos Aires. There appears to be no significant opposition to the project on the part of anyone at high levels.

The Interventors are, in most cases, military personnel of high rank with relatively little experience in the areas to which they have been assigned. This, of course, can be viewed as a positive or negative factor. The negative aspect is that persons newly arrived in any area of specialization are inevitably in need of basic orientation which is time-consuming and demanding for both advisors and the officials involved. On the positive side, they enter the field with a fresh outlook, a commitment to change, and in most cases, little interest in building a personal empire; they are, thus, unusually objective and receptive to technical advice and assistance.

There has been little direct opposition to the project and its various components on the part of rank and file employees, but apparently there is a belief among many that technical assistance is unnecessary. This is not uncommon, however, and when teams demonstrate their capacity to give sound professional advice, it has been found that the leadership usually finds the confidence to convince rank and file employees that important improvements can be made.

This project is reinforced by a current USAID project in Education and Manpower, focused on the need to upgrade graduate education in public administration. A project agreement has been signed which calls for assistance to the Faculty of Economic Sciences of the University of Buenos Aires in developing a graduate department of Public Administration capable of both teaching and conducting research in this area. It will also provide advanced training for high-level public officials already on the job in state agencies on the national, provincial and municipal level.

IV. Planned Targets, Results and Outputs

In the areas of Tax, Customs, and Provincial reform, the general objective is the development of modern, efficient administrative mechanisms, staffed by competent personnel, capable of efficiently carrying out their legally defined functions, in the interest of the government and the population at large. Specific goals by sub-project are as follows:

A. Tax Administration

In Tax Administration several initial targets have already been met: A new data processing system is in effect and the accounts are now balanced with bills issued on time; a new delinquent accounts division has been instituted; a taxpayers assistance program has been installed; a tax fraud division of 5 people has been approved by law, and has had 6 months of training; a training school has been operational for over a year and has trained several hundred technicians; a Planning Division, Economic and Statistical Division and a Management Division, have been added to the organization; the concept of a 'police' office audit has been accepted; all positions in the service have been job-classified.

Future targets include:

1. Continued significant increases in revenue collected.
2. Audit plans for field and office audits will be phased to correspond with the phases of the national economy. Quality of audits will be improved with new statistical reporting and control systems.
 1. In collections, a delinquent accounts and returns system, now in a pilot stage, will be fully implemented. A work plan and control system will be tested and put into effect. In the data processing area a workload planning and production control system will be designed and installed. Also, efforts will be made to design and install a computerised taxpayer master file. A continuing training program for computer systems analysts, programmers and keypunch operators will be developed.
3. In the area of tax fraud, renewed efforts will be made to obtain passage of prison penalty status in tax law and the prosecution of tax cases under the general criminal code.
4. A program budgeting system will be established.
5. Equipment, much of which is now inadequate and obsolete, will be improved or replaced.

7. In personnel, a modernized personal program will be made operational and the salary scale revised.

8. In training, work will continue towards the institutionalization of training with emphasis on on-the-job training in the areas of audit, collection and administration.

B. Customs Administration

A team already at work has made a thorough appraisal of problems of delays in processing imports, evasion of duties, smuggling, and the unsatisfactory performance of appraisement and classification functions. A report of findings and recommendations has been submitted and a plan of action developed. Specific targets include:

1. Significant increases in revenue collected.
2. A new appraisement division staffed with trained customs technicians and applying the newly adopted Brussels Value Definition as a basis of appraisement.
3. Unification of or an effective working relationship between the new valuation division and the classifying officers of the Departamento de Vistas for the purpose of coordination of examination, sampling, laboratory analysis procedures, and contacts with importers and exporters.
4. An overhaul of entry procedures, including publication of entry requirements, provision for correction of errors made in good faith, and better monitoring of brokers' performance, all resulting in faster handling of all shipments.
5. Simplification of penalty procedures.
6. An Organization and Management study of the entire organization.
7. Modernization of the organization and operations of the enforcement division.
8. Preparation of operating manuals for the major divisions -- entry, classification, appraisement, and enforcement.

C. Tax and Fiscal Administration, Province of Buenos Aires

A team already in country has presented recommendations to the Province on the administration of their entire tax program. Specific targets include:

UNCLASSIFIED

1. A significant increase in the volume of revenue collected.
2. A reorganization of the Bureau of Collections at both central and field-office level.
3. The establishment of a management inspection staff at the Bureau level.
4. The development of an in-service training program for tax auditors and operating personnel.
5. Increased audit productivity through improved audit selection based on cost vs. benefit.
6. A reorganization of the Cadastral Bureau.
7. Improvement of the system for valuation of real property.
8. Implementation of program budgeting procedures.
9. Implementation of a reporting system adequate to the needs of analysis and evaluation activities.

D. Provincial Administration

In selected provinces, assistance will be offered, with the following targets:

1. Streamlining of provincial organization to clarify relationships between various public responsibilities and facilitate efforts toward provincial development within a national context.
2. To increase the effectiveness of treasury management, through the development of new collections procedures, a program for forecasting cash needs, and appropriate policies to correct temporary cash deficiencies.
3. Design and implementation of a centralized purchasing program.
4. Reorganized records administration, including a review of laws pertaining to retention and destruction of documents, a study of the distribution and control system, and development of a new records system.
5. Development of a uniform personnel classification system and salary plan.

E. Social Security Administration

The goal of this sub-project will be the formulation and implementation of recommendations to improve the administration of the national social security program, and to rationalize the system of financing and benefits to achieve:

1. Fiscal stability in the program.
2. Standardization of payments and benefits.
3. Efficient handling of applications for benefits.
4. Reorganization to permit central control and decentralized administration.

F. Budget and Accounting

Primary objectives include the establishment of:

1. A system of "program" or performance budgeting on the national level.
2. A unified national accounting system.

V. Course of Action

Project agreements will be (and in some cases, have been) negotiated and signed with the appropriate units of government in each of the target areas. Local willingness to provide space and administrative support to technical teams, to assign able counterparts, and evidence of receptiveness to suggestions for change will be considered necessary prerequisites to each agreement.

Teams of specialists will be introduced in each area, varying in size and length of service depending on the size and needs of the agency under consideration:

In Tax Administration, a chief and five specialists in audit, collections, fraud, personnel and training are already working with the Tax service.

In Customs, a chief and three specialists in entry, appraisement, classification, inspection and control and enforcement are already working with the Argentine Customs service.

In Tax and Fiscal administration in the Province of Buenos Aires, a chief and three budget, property and sales tax specialists with experience in local tax administration and fiscal management are already at work with local counterparts.

In Provincial Administration a two-man team will be introduced pending availability of funds and negotiation of the project agreement.

In National Social Security, a two-man team will be introduced pending availability of funds and negotiation of the project agreements.

In National Budget and Accounting 4 TDY specialists will be provided pending the availability of funds and negotiation of a project agreement.

In addition, in each sub-project occasional TDY specialists will be required for short periods of time to assist in areas in which special expertise is needed which is not already present in the resident team. In most sub-projects participant training in the United States will be included as a part of the program for selected Argentine officials.

On the job, each team will, together with their Argentine counterparts, (1) engage in a process of study and analysis of the subject agency in terms of organization and management as they effect the fulfillment of the statutory tasks for which the agency is responsible; (2) make a diagnosis of problem areas; (3) develop a plan of action which is realistically phased in light of local resources and ability to bring about alteration in existing patterns of work; and (4) after agreement regarding needed changes and steps to be taken, assist in the implementation during the initial phases. Emphasis in all cases will be upon the institutionalization of training for new and established leadership to insure that the effects of this assistance will be long-lasting and continue after the termination of the project.