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Evaluation of Results of Projects Conducted
by the Public Administration Service
to Improve Management Processes in
the Royal Thai Government



Planning, Budgeting, Accounting, Performance
Auditing

by

Donald Axelrod and Clark Neher, Consultants

DTEC/RTG
USAID/BANGKOK

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EXECUTIVE SUMMARY

At the request of the Department of Technical and Economic Cooperation of the Royal Thai Government and the U.S. Agency for International Development, the evaluation team assessed the results of a \$1.8 million contract with the Public Administration Service to improve and integrate planning, budgeting, accounting and evaluation processes in the government.

Major Overall Findings and Conclusions

1. The results are mixed with both strengths and weaknesses apparent. Many of the weaknesses are serious and stem from the broad, general and overly ambitious terms of reference in the "scope of work." Several of the major contractual requirements lacked adequate specificity and precision. Taken literally, the terms of reference could not be satisfied by a contract twice the amount of the PAS contract. And they were not. When the contract terminates on December 21, 1983, no proposed system will be fully operational. Yet most of the projects are promising and are at the threshold of implementation. They merit continued support.

2. The implementation of the new accounting system is central to the success of all the projects. In the rather ambiguous language of the scope of work, the target date for activating the new system is December 31, 1983. Nevertheless, the accounting system cannot be operational before the end of 1984 unless additional

technical assistance is forthcoming.

3. So broad were terms of reference affecting the National Economic and Social Development Board (NESDB) that the head of the agency rejected them and turned down, in particular, a proposed major project with regard to the monitoring and evaluation of development projects. Only after the PAS staff engaged in a belated mini-feasibility study and developed a new work plan did several useful projects get under way.

4. The contract provided for the development of horizontal (government-wide) as well as vertical (operating ministries) systems in planning, budgeting, accounting and evaluation. So far the systems that have been designed are horizontal and affect primarily the central staff agencies -- NESDB, the Bureau of the Budget (BOB), the Comptroller General's Department (CGD) and the Office of the Auditor General (OAG). With few exceptions, systems development at the ministerial and provincial levels has been negligible. In fact, contrary to the terms in the scope of work, the PAS team spent little time on issues of decentralization and delegation of activities and decisions to lower levels of the government structure.

5. The main thrust of the scope of work was the integration of the management systems - planning, budgeting, accounting, evaluation. In practice, integration was spotty and fragmentary on the part of both PAS and the central staff agencies. Instead of day-to-day coordination of activities in the four central staff agencies, the conduct of separate but related projects proceeded on an ad hoc basis. The lack of integrating machinery affected

adversely the quality of several major projects.

6. PAS deployed unnecessary staff in OAG that could have been used to better advantage in developing the accounting system. It also complicated staffing problems by appointing for the NESDB project staff members prior to recruiting a chief of party. This made it difficult to change priorities and to utilize the staff more effectively.

7. Many of the problems could have been obviated had at least two critical steps been taken prior to the drafting of the scope of work: a brief feasibility study and the development of clear and concrete specifications and terms of reference.

8. On the positive side some major systems are at the verge of full scale development in NESDB, CGD and BOB. At this point, however, the distinct possibility exists that the projects will lose their momentum without strong, top-level support by RTG and continued assistance by USAID.

NESDB - Findings and Conclusions

1. PAS has developed a step-by-step programming process that translates the generalities in the five year plans into specific, time-phased and costed projects compatible with the targets and priorities in the plans and resource constraints. Used by NESDB for programs designed to alleviate poverty and facilitate the economic development of the Eastern Seaboard, the process will also cover rural development and job creation programs. This incremental approach is far more practical than the

development of a full-scale system for medium-term planning and programming contemplated by the scope of work.

2. For analytical, planning and evaluation purposes NESDB, BOB, and the operating agencies require a common classification scheme covering sector, sub-sector, function, program and project. BOB, with the aid of PAS, has taken the lead in this effort which appears to be promising.

3. An encouraging development has been the preparation of annual budgetary guidelines by NESDB for development projects. They link multi-year programming with the annual budget process. As a basis for the guidelines, NESDB updates and, where necessary, redirects the priorities in the Fifth Plan (Fiscal Years 1982-1986). It also shifts funds from low-priority and unsuccessful projects to more urgent ones. Once the Cabinet approves the guidelines, they become an important instrument for policy development. Nevertheless, the process is deficient in several respects. The guidelines cover only expenditures for development projects, not the greater part of the budget. BOB participates only minimally in their preparation and issues its own budgetary instructions and policies. PAS has correctly emphasized the need to formulate joint NESDB and BOB guidelines covering all governmental expenditures.

4. Because of the poor quality of many pre-project studies, PAS has developed a comprehensive project proposal and appraisal system. With some improvements such as closer linkages with the development plans and the more extensive use of performance

indicators to measure the impact of projects, it could be an invaluable tool for project formulation. As matters stand now, NESDB has accepted it only in principle and has yet to implement it. BOB has a vital stake in the project system because it affects the capital and development budget. Nevertheless, the two agencies have not as yet coordinated their efforts to devise a common system.

5. Both NESDB and BOB are attempting to implement separately a multi-year rolling investment planning system covering all development and capital projects regardless of source of funding. While PAS has encouraged the development of a common computerized system serving both agencies, it has not taken the necessary steps to integrate the separate systems.

6. After discarding as impractical a PAS proposal to establish a comprehensive government-wide system to monitor and evaluate programs and projects, NESDB wisely opted for an empirical and incremental approach to monitoring and evaluation (M/E). Beginning with projects in the anti-poverty and rural development programs, it will gradually extend M/E to other programs such as reduction of unemployment. This is the beginning of a major undertaking beset with a variety of methodological problems. At the same time BOB is working on its own monitoring and evaluation systems and fragmentary evaluation takes place in some of the operating agencies. RTG needs a coherent framework in which to develop separate but related systems. The PAS projects have not provided such a framework.

7. PAS has taken the lead in recommending policies, systems and procedures to prepare for the next five year plan beginning on October 1, 1986. The focus is on the formulation of a

specific and realistic Plan that differs significantly from the generalities in the Fifth Plan.

8. With few exceptions, ministry-wide planning and budget units have little voice in the selection, funding and evaluation of projects. By law and practice the separate departments in the ministries are virtually autonomous. In most instances NESDB and BOB foster such fragmentation of responsibility by dealing directly with departments and bypassing the staff offices attached to the offices of the minister and permanent undersecretary. Field offices of agencies are for the most part unaware of new systems in effect in NESDB and BOB despite the impact of these changes of their programs and projects. PAS has stressed the seriousness of these problems and has urged the creation in the operating agencies of strong central staff units with overall responsibility for planning and budgeting. But exhortation is not enough, absent the development of workable decentralized planning and budgeting systems. Such systems should be developed in at least one agency and serve as a model for other ministries.

9. Training programs developed by PAS in NESDB have been exemplary. In the other central staff agencies they have been haphazard and minimal notwithstanding the scope of work.

10. It is uncertain whether NESDB and the other central staff agencies will have the capacity to implement PAS recommendations after the contract terminates. This problem is attributable more to agencies than to PAS. In most instances, they did not establish full-time working groups to participate in projects with PAS and to gain the skills and knowledge necessary to carry

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the projects forward. Essentially the counterpart groups that were set up were composed of busy senior officers who could devote but little time to the projects.

BOB - Findings and Conclusions

1. Most of the significant projects in budgeting such as program budgeting and the design of a multi-year capital budget were launched by PAS in the course of a previous twenty-two month contract that ended on December 31, 1981. As part of the current "integrated project", it continued projects started but not completed in the course of the earlier contract.

2. Largely because of the efforts of PAS, program budgeting has taken hold in BOB and to some extent in the cabinet and in Parliament. The effect on the operating ministries is less certain. Three major developments were the appropriation of funds by program and project, significant changes in the budget to focus on program and project, and the development of a comprehensive program structure covering all sectors. The new classification system groups all activities in the government by sector, sub-sector, program, sub-program and project/work plan. Potentially, it is a powerful tool for planning, analysis, budgeting and evaluation. For each part of the program structure it is necessary to develop goals, objectives and targets linked to the Five Year Plan; performance indicators that shed light on the efficiency, effectiveness and impact of programs and projects; estimated costs and actual

expenditures; data on the source of funds; and relevant reporting systems. This is a massive undertaking requiring several years of intensive effort. Such work has barely begun. At present, therefore, the program structure is but a framework for further development and not an operating reality.

3. BOB engages in the selective monitoring and evaluation of programs and projects through a specialized organizational unit. At the same time it has contemplated the development of still another M/E system with the aid of PAS. Plans for the new system were not related to on-going activities in BOB or to M/E in NESDB. This is but another example of lack of integration in what was supposed to be an integrated project.

4. PAS has been instrumental in effecting some major changes in budgetary policies, practices and procedures: "top-down" budgeting with expenditure ceilings; relaxation of unnecessary controls; revision of object-of-expense codes and encumbrance practices; and improvements in budgetary instructions and forms.

5. With the aid of PAS, BOB has designed a computer system for the rolling multi-year capital and development budget. The system has not been implemented as yet and so far, as noted, it has not been developed in concert with NESDB.

CGD - Findings and Conclusions

1. PAS has designed a comprehensive and essential accounting system even though the full scope of the system was not covered by the contractual specifications. Upon implementation the

computerized system will provide the central staff and operating agencies with "on-line" current data on revenues and expenditures. Going beyond just budgetary accounting alone, the system will encompass public sector expenditures that are now off-budget: loans, grants, revolving funds, state enterprises and agency deposits. By the end of 1983, when the contract terminates, the proposed system will remain a blueprint. To implement it will require at least another year of programming, testing, further systems development and careful monitoring.

2. Quite apart from the central accounting system in CGD, the operating ministries run their own systems. Neither CGD nor PAS has reviewed seriously the feasibility of eliminating such duplication once the central system is in full operation.

OAG - Findings and Conclusions

1. The PAS projects in OAG were of questionable usefulness and, for the most part, represented a waste of fifty-four man-months of consulting assistance. The major aim of the PAS project was to develop in OAG the capacity to engage in performance audits so that it could evaluate development programs and projects. To do this it was supposed to design performance audit systems, standards and guidelines; prepare a performance audit manual; start a training program on performance auditing; and recommend organizational structures and staffing patterns compatible with performance auditing. The report details the deficiencies in each

of these areas. Most serious were the failure of the PAS staff to give the project a development orientation; to relate it to other PAS projects; and to plan and participate in performance audits with the OAG staff.

2. To the extent that operating ministries enhance their capability in internal auditing, the ministries will gain better controls over their programs and projects and OAG can deal with broader problems of performance evaluation rather than focusing, as it does now, on the auditing of detailed financial transactions. Despite the importance of this issue, the PAS team developed no recommendations for consideration by RTG.

Major Recommendations

1. Unless RTG develops a high-level integrating mechanism quickly, the projects will falter. It is therefore recommended that RTG establish a cabinet-level committee chaired by Dr. Suthee, the Deputy Minister of Finance, and composed of the heads of DTEC, NESDB, BOB, CGD and OAG to give broad direction to the projects and to oversee their performance. For day-to-day coordination of the projects RTG should establish a working group of senior officers representing DTEC and the central staff agencies with the representative of DTEC serving as chairman. The chief of party of any consulting team that is retained in the future should serve as an adviser to the working group.

2. Additional consulting assistance will be needed to complete the promising project now under way. The evaluation

team's rough estimate follows:

- .. Three to four manyears in CGD to implement the accounting system.
- .. One manyear in BOB to bring to fruition the programming structure, the rolling capital and development budget, and internal systems for M/E.
- .. One manyear in OAG to plan, develop and conduct a "model" performance audit.
- .. One manyear distributed as follows:
50 percent in NESDB to carry forward programming systems, M/E, and preparations for the next Five Year Plan; and 50 percent for the time required to serve as chief of party for all projects.
- .. One-half manyear to start the development of model decentralized management system in one operating ministry.
- .. Three manmonths to develop a framework for the coordinated design of M/E systems in the central staff and operating agencies.

3. With some reluctance the team recommends the retention of PAS, under specified conditions, should the projects continue. PAS is intimately familiar with existing management systems and has designed some complex systems that stand a good chance of being implemented. To retain another consultant at this time would be time-consuming, inordinately expensive, and counter-productive. The evaluation team has also considered the alternative of giving PAS a contract to complete the accounting project and other consultants the responsibility for completing the remaining projects. Such an arrangement, however, will inevitably raise problems of coordination, accountability and "buck passing" in what is supposed to be an integrated project.

4. If PAS is retained, it should meet the following rigorous conditions:

- .. Compliance with detailed specifications and terms of reference prepared and approved by RTG and USAID with the assistance of the evaluation team.
- .. Designation of Warren Exo, now chief of party in NESDB, as overall chief of party. Ordinarily, the evaluation team does not deal with the qualifications of individuals. In this case, it confronts some practical problems, not theoretical considerations.
- .. Prior approval of all PAS staff members by the chief of party, DTEC, USAID and the evaluation team. PAS will be no better than the competence of individual members of its staff.
- .. Periodic evaluation of the progress of the project by an external adviser acceptable to DTEC and USAID (about two weeks every quarter).

5. The experience of RTG with PAS highlights the need to take the following precautionary steps to assure the success of major projects

- .. Conducting feasibility studies and preparing detailed specifications prior to the award of projects.
- .. Developing explicit criteria for the evaluation of proposals by contractors.
- .. Checking carefully the qualifications of the staff proposed by the contractor.
- .. Getting advance commitments from the government for a full-time counterpart working group.
- .. Providing for periodic external and objective evaluation of the progress of projects rather than relying on the report of contractors.

II

BACKGROUND OF EVALUATION OF PROJECTS

Problems and Overview

In initiating and implementing urgent development projects and programs and in economic management generally, the Royal Thai Government (RTG) has found existing management systems inadequate in several respects. Broadly defined the systems encompass planning, budgeting, accounting and performance evaluation. Development planning did not always mesh with annual budgeting, so that the budget could consistently serve as an instrument for funding projects in the Fifth Plan (Fiscal Years 1982-1986). The data provided by the budgetary classification systems did not fully meet the needs of decision-makers, the central staff agencies and the ministries. The accounting system produced inadequate, untimely and occasionally inaccurate data on expenditures for development projects and on-going programs. The monitoring and evaluation of programs and projects was intermittent and fragmentary. Few linkages existed between the four systems. On a government-wide basis the central staff agencies most directly concerned with these problems are the National Economic and Social Development Board (NESDB), the Bureau of the Budget (BOB), the Comptroller-General's Department (CGD) and the Office of the Auditor General (OAG). But these problems obviously also affect the operating ministries directly responsible for implementing programs and projects.

Determined to improve, integrate and coordinate the separate management systems, the RTG, through the Department of Technical and Economic Cooperation, contracted with the Public Administration Service in January, 1982, to provide consulting assistance to NESDB, BOB, CGD, and OAG as well as the operating agencies. The aim of the project was ambitious: to strengthen and link the management systems horizontally among the central staff agencies and vertically between these agencies, the ministries and other levels of the public sector. At the same time the project was to focus on the feasibility of delegating and decentralizing aspects of planning and budgeting to the ministries, provincial and local agencies. Spanning nearly a two-year period (February 1982 - December 1983), the PAS contract approximated \$1.8 million for 220 manmonths of consulting assistance distributed as follows: CGD - 84; OAG - 54; NESDB - 59; and BOB - 24.

Purpose and Methodology of Evaluation

At the request of the Department of Technical and Economic Cooperation (DTEC) and the United States Agency for International Development (USAID), the evaluation team assessed the results of the PAS project during the three-week period beginning June 11, 1983. The appraisal centered primarily on the following issues:

1. The effectiveness of PAS efforts to bring about desired changes.
2. The extent of acceptance of PAS recommendations by RTG.
3. The results of accepting PAS recommendations as measured

by the impact on agency and government-wide management systems.

4. The extent to which the contractor produced the outputs specified in the scope of work and in the RFP (Request for Proposal).

5. The performance of the contractor's staff in building the institutional capacity among the various agencies to implement changes in the management systems after the termination of the contract.

6. The impact of PAS recommendations on changes in policies and budgets.

7. The applicability of "lessons" learned from the PAS project to future technical assistance in policy development.

During the survey the team reviewed all relevant PAS, RTG and USAID documents reports and memoranda and held extensive interviews with top management, senior officials and mid-level supervisors in the central staff agencies. In addition, the team discussed with officials responsible for planning and budgeting in selected ministries, the status of their management systems and the linkages with government-wide agencies. The team also reviewed, with members of the PAS staff, the status of projects in the four participating agencies. Since the prime movers of the project included Dr Suthee , formerly director of the Bureau of the Budget and now Deputy Minister of Finance, and Mr. Chandram Chandratat, former special adviser to the director of the budget and now a senior official at the Bank for Agriculture and Agriculture Cooperatives, the team held several especially useful discussions with them.

Throughout the survey the team benefited from the advice and assistance of DTEC and USAID which arranged the interviews, made available necessary reports and data and provided invaluable insights on the origin, objectives and status of the project. At the end of the survey the team presented its findings and recommendations at a two-hour meeting with the USAID Director, senior officials of his staff, and a representative of DTEC, and left with them a preliminary outline of the major of conclusions and recommendations. This report takes into account their many useful comments and suggestions.

The report that follows covers the following:

1. An overview of the PAS project.
2. PAS projects at NESDB.
3. PAS projects at BOB.
4. PAS projects at OAG.
5. PAS projects at CGD.
6. Major findings and recommendations.

III

AN OVERVIEW OF THE PAS PROJECTS

The team attempted to assess fairly and objectively the strengths and weaknesses of the PAS project which are detailed below. Many of the weaknesses - and some are serious - stem from the broad, general and overly ambitious terms of reference in the "scope of work." In short, several of the major contractual requirements lacked adequate specificity and precision and hence were open to varying interpretations. Conversely, in a few instances the scope of work was overly specific in laying out desired outputs prior to a study of their feasibility and necessity. Taken literally, the terms of reference could not be satisfied by a contract twice the amount of the PAS contract. This flaw dogged the entire project.

Several examples will highlight this issue:

1. The accounting system is vital to the success of the entire project since it would provide essential data to the central staff agencies and the operating ministries. Hence, some 38 percent of the total resources of the project were committed to a review of existing systems in the central government and provinces and the design of a new automatic accounting system. The "scope of work", however, is silent on the implementation of the accounting system. It cites merely the contractor's obligations to "monitor the effective installation of the revised system." This led some of the participating agencies to assume that PAS would turn over a fully operational system to the Comptroller-General's Department (CGD). Actually, when this phase of the contract terminates on

December 31, 1983, PAS will have designed and documented an impressive system on paper. To program, test and implement it, in phases, would require at least another year of consulting assistance.

The accounting system now, in the blueprint stage, is a comprehensive one that covers all aspects of governmental expenditures, grants, loans and revenues whether "on" or "off budget." Built into it are essential checks and controls to assure the reliability of data. This "total" approach is essential. Yet the focus in the terms of reference is on a revised budgetary accounting system that supports program budgeting and serves the needs of the central staff agencies. Important as this is, it is but one major part of a total accounting system. This important issue was not clarified in advance.

2. The scope of work provides for a global monitoring and evaluation system for all development programs and projects. It would do no less than measure performance in the public sector and furnish invaluable data to the Executive Committee of NESDP and the National Economic Policy Council. Early in the project NESDB rejected this approach as impractical and sensibly opted for an incremental approach to monitoring and evaluation beginning with projects for the alleviation of poverty and moving on, step by step, to rural development programs and programs designed to reduce unemployment. In fact, it called upon the PAS chief of party in NESDB to initiate a mini-feasibility study that resulted in a revision of the original terms of reference for the NESDB project.

3. From the start the project was termed an "integrated project" linking planning, budgeting, accounting, and performance evaluation. That, in fact, was the main thrust of the scope of work. In practice, integration was spotty and fragmentary on the part of both PAS and the central staff agencies. The PAS chief of party in the four agencies occasionally worked together on an ad hoc basis. At one time the chief of party in BOB acted as "super-chief." On the whole, though, there is little evidence of day-to-day harmonization of their efforts in integrating management systems. The central staff agencies attempted integration and coordination of their separate projects through a steering committee composed of the four agencies and chaired by the director of the budget. Regrettably, the high level group met only infrequently and provided little oversight of and policy guidance to the overall project. That the heads of the major staff agencies should have little time for the project on a continuing basis is understandable. For this purpose a working group composed of senior officials of the four agencies and assisted by PAS would have been an appropriate mechanism. This approach was not implemented. At this point nearly all the participants recognize the need for top level support and guidance and day-to-day coordinating machinery for the development of the related management systems. Without them the momentum for the project will be lost.

4. The scope of work envisaged horizontal and vertical linkages of management systems. With but few exceptions, the projects have been across-the-board in nature with the central staff agencies as the key participants. For the most part the

operating ministries were not involved in the design of new and improved systems and know little about them. Despite the terms of reference the resources at hand were not sufficient or were not deployed efficiently to develop vertical relationships.

5. Prior to any feasibility study PAS committed itself in the scope of work to the design of a computerized system for accumulating data on performance audits by OAG linking this system to the management systems in other staff agencies. Apart from the fact that such an untried system would have been a "first" anywhere in the world, the work plan led to expectations on the part of OAG that could not possibly have been fulfilled. In pursuit of this elusive goal PAS deployed unnecessary staff in OAG that could have been used to better advantage in developing the accounting system.

6. The scope of work created other staffing problems for PAS. To meet the general specifications it recruited staff for NESDB projects in advance of appointing a chief of party. This made it difficult to change priorities and to utilize the staff more effectively.

Many of the problems could have been obviated had two critical steps been taken prior to the drafting of the scope of work: a brief feasibility study of the proposed "integrated project" and the later development of clear and unambiguous specifications and terms of reference. As matters stand now, no new management system will be fully operational in any of the four agencies when the PAS contract terminates on December 31, 1983. Nearly all projects are promising and merit continued support. Nearly all are at the threshold of implementation. To cross this threshold requires some additional major steps. The details follow.

IV

PAS PROJECTS - NESDB

PAS had little impact in NESDB until September, 1982 when the Chief of Party, Warren D. Exo, completed and submitted to the Secretary General, Dr. Snoh Unakul, a feasibility study, the so-called Inception Report, that proposed reshaping and redirecting the scope of work and the priorities for the remaining period of the contract. Upon acceptance by Dr. Snoh, the report served as a basis for the design of several significant projects. The report had the effect of turning around an awkward situation that had arisen because of the rejection by the Secretary General of the sweeping project monitoring and evaluation system proposed by PAS and the negative reaction to a PAS report on economic policy formulation by the central staff agencies directly concerned with economic management. The original scope of work had included both projects.

The central theme of the Inception Report was the need to translate national policies, priorities and development strategies, as reflected in the five year plans, into carefully crafted and costed programs and projects closely tied in with the budget process. The bridge between the somewhat general five year plans and the annual budget was to be a systematic programming process and related sub-systems. To this end the report laid out the following projects for design and implementation:

1. The programming process.
2. The formulation of annual guidelines for development budget planning.

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3. Revised systems for proposing and appraising projects.
 4. Rolling investment planning.
 5. Revised systems for monitoring and evaluation.
 6. Preparations for the next Five Year Plan.
 7. Participation of ministries and departments in planning, implementing and evaluating projects.

In all of these projects the PAS chief of party served as a member of the NESDB team and acted as a special adviser to the Secretary General. The emphasis was on expediting the various processes rather than on producing reports. In that respect the PAS approach in NESDB was exemplary although the results were uneven.

The Programming Process

PAS and NESDB faced two major problems in programming development projects in the Fifth Plan covering fiscal years 1981-82 through 1985-86. First, in several sectors the plan was not sufficiently specific as to priorities, targets and the direction that should be pursued by development projects. It constituted more a statement of social values and aspirations than a solid foundation for initiating programs and projects. Second, the operating ministries submitted various proposed projects with only a tangential relationship to the development targets in the Plan. To overcome these problems for the remaining three years of the Plan, PAS developed a step-by-step programming process with these components: converting the general statements in the plan

into an agreed-upon listing of a limited number of specific targets and objectives in all the sectors; assigning relative priorities to programs and projects designed to achieve these targets; evaluating the current status of the development projects; determining what remains to be done; estimating available resources for new and on-going projects for the remainder of the plan period; selecting affordable high-priority projects; and laying out a three-year action program.

NESDB implemented this approach in the rural poverty eradication program and in the program designed to facilitate economic development in the Eastern Seaboard. In the programming process it found a useful tool to guide and coordinate development with the detailed formulation of the projects a ministerial responsibility. To facilitate the work of NESDB, PAS prepared several examples of project analysis; outlined the steps that should be taken in programming in the complex social development area; recommended organizational mechanisms to implement programming; and developed a training package for programming and sectional analysis. Encouraged by the initial efforts in programming, NESDB has expanded the process to cover rural development in all the provinces and has initiated a similar approach in the rural job creation program.

These incremental steps do not by any means represent full-scale medium-term planning and programming. Nor do they as yet link the five-year plan and the annual budget except in a limited number of areas. But, practically, there is no substitute for the slow and evolutionary approach contrary to the grander

expectations in the scope of work.

For analytical purposes, NESDB groups programs and projects by sector and sub-sector. For budgeting purposes, the Bureau of the Budget, as will be noted below, has developed, in conjunction with PAS, a five-part program structure: sector, sub-sector program, sub-program, project/work plan. In addition, it also accumulates data by broad functions. To integrate planning and budgeting a common program structure is a necessity for the central staff agencies as well as the operating ministries. This is still being negotiated by NESDB and BOB with what appear to be promising results.

Annual Budgetary Guidelines

This has been one of the more promising projects and ties in directly with the programming process. Beginning with the 1982-83 fiscal year NESDB, in consultation with BOB, prepared budgetary guidelines for development projects. Comprehensive in scope, the guidelines lay out the macro-economic and fiscal framework for budgetary decision-making; estimated revenues including internal and external loans and grants; estimated expenditures; proposed reductions in subsidies; and expenditure ceilings for development projects by sector and ministry. The entire exercise is based upon an updating and, where necessary, a redirection of the Fifth Plan to reflect current priorities. For each sector the guidelines analyze the previous allocation of funds, point up problems of implementation, redeploy funds from "unsuccessful" and low priority projects to more urgent ones, and specify the

projects that will be funded and the targets that should be met (wherever possible in quantitative terms). For example, the FY 1982-83 guidelines allocated additional funds to the rural development, anti-poverty and Eastern Seaboard programs and projects. For rural development the guidelines specified such projects as 500 small irrigation schemes; the development of .3 million rai of rice farmland; expanded land distribution; and an expansion of agricultural cooperatives to cover all areas in twenty provinces.

The guidelines link the planning, programming and budgeting processes. More than just a set of technical instructions, they had, as noted, been an instrument for policy development and redevelopment. In fact, the guidelines for the 1983-84 fiscal year were submitted to the cabinet for approval. In the preparation of the guidelines PAS acted as more of a catalyst than a participant. But the programming process developed by PAS was a necessary prerequisite for the preparation of the guidelines.

To be fully useful the guidelines require further refinement and closer collaboration between NESDB and BOB. At present they cover mainly expenditures for development projects and not expenditures for on-going programs. For FY 1983-84, the guidelines arrived after BOB had made its decisions. In FY 1982-83 NESDB and BOB worked more closely in preparing the guidelines, but the guidelines still covered the smaller part of the budget. Nevertheless, the guidelines are mainly an NESDB product. For the greater part of the budget covering recurring expenditures, BOB issues its own instructions and expenditure ceilings. To strengthen the

linkages between planning and budgeting NESDB and BOB should issue joint guidelines covering all governmental expenditures.

Revised Systems for Proposing and Appraising Projects

NESDB has recognized that one of the major problems in development planning, programming and financing has been the uneven if not poor quality of many pre-project studies and project appraisals. PAS therefore designed and documented a comprehensive project proposal and appraisal system with detailed instructions and project formats. Accepted in principle by NESDB, the materials were used for two workshops with some 100 participants.

The system calls for a two-stage approach. All projects would be submitted in concept form. Small or relatively simple projects would be approved by NESDB provided funds are available and the projects are compatible with the updated Fifth Plan. Only preliminary approval would be given to large and complex projects with final approval deferred pending the preparation of more detailed justification and, where necessary, the completion of feasibility studies.

As matters stand now the proposed system has yet to be implemented. It focuses mainly on the justification for capital facilities and on the achievement of physical targets. Although useful, this is not enough. It should relate more explicitly to the multi-year development program and should call for data.

on multi-year costs and personnel requirements and on projected targets, results and impacts such as increases in agricultural production, the stocking of fish ponds, and the qualitative improvement in water supply. Such built-in targets and performance indicators are critical to a later monitoring and evaluation of projects. NESDB supports this approach and is applying it to rural development projects down to the village level.

BOB has a vital stake in the project proposal and appraisal system. It affects directly the rolling five year capital and development budget discussed below. So far there is little evidence of BOB participation in what should be part of an integrated series of projects contemplated in the scope of work. BOB's familiarity with on-going programs and projects would be invaluable in this process.

Rolling Investment Planning

Both NESDB and BOB have endorsed and attempted to implement a rolling investment planning system covering all development and capital projects. Under this concept, a multi-year investment program, bridging a three-or-five-year period, would be updated annually, with the first year dropped and a new third or fifth year added. The system would include comprehensive financial and performance data and relate closely to the programming and budgeting processes. So far both agencies have proceeded with the separate development of their systems.

NESDB has two systems under consideration: (1) A three-year rolling plan for externally funded development projects and (2) a rolling investment system for state enterprises. PAS has proposed improvements in the first system and designed the second system de novo. Eventually, the aim is to computerize both systems for instant access to the relevant data. Some of the senior officials in NESDB have reservations with regard to the proposed system for state enterprises. Only some seventy state enterprises are involved, with each one unique in the scope and diversity of its operations. Over the years NESDB has developed comprehensive data on the enterprises for programming and budgeting. Whether an automated, rolling investment system will contribute contribute any new information or facilitate decision-making is a moot question. As part of a larger data bank covering all development projects, it might be useful.

In the meanwhile, BOB, with the aid of PAS, has developed a rolling capital and development budget system which encompasses all internally-funded projects and all state enterprise projects directly supported by the government. BOB has cautioned NESDB about the dangers of duplication and confusion should the two agencies develop separate systems. Since BOB intends to computerize its system, it suggested that the data file could serve the needs of NESDB as well.

PAS has printed out the desirability of having a common "rolling" automated system for all investment projects regardless

of the source of funding. It could enhance the capability of NESDB to analyze and evaluate development projects and give BOB the tools it needs to monitor and control the expenditures of projects. Regrettably, PAS has not developed such an integrated package. This is due in part to its method of operation. Separate teams worked in both agencies with what appears to be only spotty coordination of their efforts. At present neither separate nor integrated systems are in operation although both are in the blueprint stage.

Monitoring and Evaluation (M/E) Systems

NESDB recognizes the need for a system to monitor and evaluate projects continuously although it rejected the PAS proposal to develop a comprehensive monitoring system that would serve the central staff and operating agencies. It regarded a sweeping, government-wide system as unworkable and opposed as impractical the further suggestion that an independent agency in the prime minister's office administer an M/E system. In view of the complexity of evaluation, NESDB, as noted, has adopted an empirical, go-slow, project-by-project approach. Beginning with projects in the anti-poverty and rural development programs, it will gradually extend M/E to other programs such as the reduction of unemployment.

Even this incremental approach raises several major methodological and administrative problems. It is necessary to develop performance indicators that will measure the effects of the projects on beneficiaries at the village level and the impact of

the programs as a whole on the villages. With such data and supplemental studies, NESDB and the ministries may gain the capacity to assess the feasibility and cost effectiveness of selected projects. NESDB takes the view, with which the team concurs, that performance indicators should be an integral part of the initial project package. In this way yardsticks agreed upon in advance will be used to measure the progress of individual projects and highlight the need for corrective action.

What has been done so far represents just the beginnings of a major undertaking. In attempting to develop an M/E system for the poverty alleviation program alone, NESDB has enlisted the assistance of Thammasat University. Essentially it is developing its own system without taking into account, for the most part, evaluation activities in the Bureau of the Budget, the Office of the Auditor General and the operating agencies. BOB has been considering inconclusively the installation of its own M/E system. In fact, PAS proposed a supplemental contract to this end. Some minor monitoring and evaluation goes on in the operating ministries, but no inventory exists to indicate the extent of their activities.

Clearly, the central staff agencies and the operating ministries need a coherent framework in which to develop related and non-duplicating sub-systems for monitoring and evaluating programs and projects. They require a sense of direction. The PAS projects have not provided the necessary framework. Further work is essential.

Preparing for the Next Five Year Plan

In view of the relatively successful experience in programming development projects for the remainder to the Fifth Plan, the PAS chief of party in NESDB has suggested that it is not too soon to consider/^asimilar approach for the sixth Five-Year Plan beginning on October, 1986. PAS has therefore proposed possible systems, strategies and organizational mechanisms at all levels of government in order to draft the Plan. It has cautioned NESDB about the need for necessary lead time, at least eighteen months in advance of the effective date of the Plan, and the desirability of synchronizing the Plan with the three-year rolling plan for foreign loans covering 1985-87 and the FY 1986-87 budget which would fund projects during the first year of the Plan. The aim is to produce a specific, realistic Plan that differs significantly from the generalities in the Fifth Plan. NESDB has apparently accepted this approach.

Role of Operating Ministries and Departments in
Planning, Implementing and Evaluating Development
Projects

With few exceptions, planning and budget units at the ministerial level have little voice in the selection, funding and evaluation of projects. NESDB and EOB deal directly with individual departments for the most part, bypassing the ministerial staff agencies attached to the office of the permanent under-secretary. By law and practice the departments are virtually

autonomous although strong ministers as in the Ministry of Public Health (MPH) may attempt to centralize planning and budgeting in the undersecretary's office.

But even MPH experiences troubling constraints . It has developed what is probably the strongest organization among the ministries for planning, evaluation and budgeting. The Under-Secretary of State, who is directly responsible to the Minister, has under his wing separate planning and budget offices which in theory review and approve programs, projects and expenditures for six departments, eighteen programs, thirty-five projects and 330 field units. In practice, BOB requests the departments for expenditure estimates as a basis for setting ceilings. The departments have little time to consult their offices in the changwats (provinces) and the central planning and budget offices, also under time pressures, scrutinize departmental budget requests only superficially. Nevertheless, the staff offices prepare a ministry-wide budget which they negotiate with BOB and NESDB. While they require justification for increases over the previous year they rarely change departmental requests.

Once the cabinet (subject to eventual Parliamentary endorsement) approves budget allocations (by sector, program project and major object of expense), the Undersecretary allots funds to the departments which in turn sub-allot them to the offices in the changwats. At the provincial level, the health officer channels funds to the districts with the advice of a Provincial Planning and Evaluation Committee. As a result of policy changes by BOB, the Minister and Undersecretary, in theory, now have the power of the purse. They can shift funds between departments, programs

and projects. In practice, this does not occur because of departmental autonomy and the political sensitivity of transferring funds from one project to another.

Some of the changes in NESDB have not trickled down to the provincial level if the Chiang Mai Changwat is an example. The chief medical officer was unaware of changes in programming systems or of rolling investment budgets. Rarely, if at all, does the central planning office evaluate projects at the provincial level.

The Ministry of Public Health represents the best example of attempts to strike a balance between centralization and decentralization in planning and budgeting. Clearly, it has made only minimal progress. In other agencies also visited by the evaluation team (the Ministry of Education and the Ministry of Agriculture and Cooperatives), the situation is far worse. In the words of a senior official responsible for ministry-wide planning and budgeting, his office is merely a "post office" which forwards requests by the autonomous departments to NESDB and BOB. It is virtually impotent and engages in no meaningful planning. The field offices of the Ministry of Agriculture and Cooperatives (MOAC) have only rudimentary knowledge of any changes in planning and budgetary procedures and little understanding of how the rural development program was formulated and how it fits into the overall plans and budgets of the Ministry. The lack of coordination between NESDB and BOB is strikingly evident at the operating level. For one project, the planning office of MOAC was required to submit two budget proposals to satisfy the varying requirements of each agency.

PAS has stressed the seriousness of these problems and has suggested that a combined planning and budgeting office in each ministry should have responsibility for the following: (1) reviewing, evaluating and approving all project proposals prior to submission to NESDB; (2) assuring compatibility of the proposal with the five-year plan and resource constraints; (3) monitoring at the departmental and provincial levels the implementation of projects for which the ministry is responsible; and (4) evaluating the results of projects through the use of techniques developed by NESDB for the poverty alleviation and rural development programs. But exhortation is not enough. Few of the proposed functions will take hold unless NESDB and BOB staff the ministerial planning and budget offices adequately, look to them for the submission of capital and operating plans and budgets and refrain from undercutting them by negotiating directly with departments.

It is also urgent to develop workable decentralized planning and budgeting systems, linked to the central staff systems, in at least one ministry. They might then serve as a model for the other operating agencies. The original scope of work contemplated such decentralized and vertical management systems. Any future technical assistance should focus on this still valid target.

The NESDB Staff Development and Training Program

In its work with the four central staff agencies PAS has, among other things, also been responsible for designing staff development and training programs. In NESDB it has been especially

effective in this respect. It has proposed a plan for staff development during the next five to ten years based on an assessment of the functions and responsibilities of the various staff levels the general and technical skills required for acceptable performance, and the needs of a realigned organizational structure (in which PAS had a small part). With this framework in place, PAS has urged the establishment of a management development unit to conduct a continuing training program, practical in-country training in such skills as sector analysis and programming, project appraisal and monitoring and evaluation, and the use of training resources offered by the National Institute of Development Administration (NIDA) and the Civil Service Commissions Training Institute. The proposals appear to be concrete and relevant to the needs of NESDB which alone can assure their implementation.

Developing Institutional Capacity to Implement PAS Recommendations

What happens after PAS leaves NESDB? To what extent will the concepts and systems developed by PAS be implemented? At this point the prospects are not reassuring. While PAS worked closely and effectively with a counterpart group composed of senior officials of NESDB, this group obviously could not devote full time to the several projects. They reacted to PAS proposals. They provided invaluable advice. They took the initial steps to effect some proposals. But they were no substitute for a full-time and fairly top-level working group of two or three officials which, through participation in the various studies and in systems

development, would have been prepared to carry forward the agreed-upon projects after the end of the PAS contract. Unfortunately, NESDB did not or could not make such resources available. This problem affected PAS projects in varying degrees in the other central staff agencies as well.

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PAS PROJECTS - BOB

The 1980-81 Contract

As a result of previous contracts over the years, PAS has been instrumental in shaping the budgeting and accounting systems of RTG. Prior to the present contract PAS had completed as of December 31, 1981 a twenty-two month project, termed the Budget Systems Improvement Project, involving some forty man-months of advisory assistance. This project laid the basis for still further work by PAS in the current design of the integrated planning-budgeting-accounting-evaluation system beginning in February, 1982. By the end of December, 1981, PAS, in tandem with the BOB staff, had achieved the following:

1. The design of a program budget system, including forms and instructions, for full-scale implementation in 1983 for the 1983-84 fiscal year.

2. Changes of policies and procedures in budget preparation and execution to focus on top down rather than bottom up budgetary decision-making and to relax some BOB controls in budget implementation.

3. Linkage of budget preparation for 1981-82 with the objectives in the first year of the Five Year Plan.

4. Definition of the appropriate roles and relationships of NESDB, BOB and the operating ministries in budget planning and implementation.

5. Development of a new program structure (reprogramming) in the education and agriculture sectors to be used as a vehicle for the development planning, budgeting, and accounting. The five-part structure called for a breakdown by sector, sub-sector, program, sub-program, project/work plan.

6. A proposal to shift evaluation activities in BOB from a separate Evaluation and Reporting Division to the budget analysis units to develop in the latter skills in program analysis. This was not implemented by BOB.

7. The design of a multi-year capital investment budget identifying over the life of the project: needs, costs, attainment of fiscal and physical targets and sources of funding. (Later the system was broadened to include non-capital development projects.)

8. A survey of computer systems in BOB and CDG to identify high priority budgetary accounting reports required by BOB and to develop the systems necessary to produce these reports. The aim was to implement the new systems, beginning on October 1, 1981.

In reviewing its work upon the conclusion of the contract, PAS noted that some major tasks still lay ahead in order to install a complete program budget for the 1983-84 fiscal year: testing and monitoring the implementation of the first phase of the proposed computer system; completing the reprogramming of the agriculture and education sectors; redesigning budget preparation forms and instructions to focus on development programs and projects that do not require capital expenditures; realigning the organizational

structure of BOB; and redesigning the object of expense codes. In short, PAS had launched some promising beginnings. But no proposed system was fully operational when the current project began save for the top down policy guidance and expenditure ceilings and some loosening of budgetary controls.

Scope of Work in the 1982-83 Project

As part of the overall "integrated project", PAS allocated twenty-four man-months of consulting assistance to BOB during 1982. Essentially, it continued the projects started during the previous contract with emphasis on reprogramming all sectors, revising the object of expense codes, monitoring the implementation of a computerized budgetary accounting system, developing budgetary forms and instructions for development projects, and strengthening BOB's organization to give it the capacity for program budgeting. The scope of work encompassed all of these tasks.

Program Budgeting

Program budgeting has taken hold in RTG - at least in BOB if not in the operating ministries. This is due largely to the efforts of PAS. An updated program budget manual includes forms and instructions for the preparation of budget request by ministries. The omnibus appropriation bill approved by Parliament for FY 1982-83 provided funds by agency and program. In a supplemental document attached to the budget BOB included expenditure data and estimates by sector, sub-sector, program etc. And the newly

designed accounting system has the potentiality of accumulating expenditures in accordance with the new classification scheme. These are major developments provided BOB continues to move along these lines.

Similarly, the reprogramming effort is impressive. Working with the operating ministries and, to some extent, NESDB, BOB has developed a comprehensive program structure for the eleven broad governmental sectors. For example, the transportation and communications sector includes several sub-sectors such as road transportation development, railway transportation, and water transportation. Subsumed by "road transportation development" are programs for the construction of national highways, special highways, provincial highways, road connections in municipalities, and road maintenance. For each program, there is a further breakdown by sub-programs such as primary and secondary roads that constitute part of the national highway system. Each sub-program covers a series of separate projects and work plans, e.g. road construction in Mueng Municipality in the Northern Region.

For each part of the five-part program structure it is necessary to develop goals, objectives and targets linked to the Five Year Plan; performance indicators covering the efficiency, effectiveness and impact of projects and work plans; estimated costs and actual expenditures; data on the source of funds; and reporting systems that will provide the data continuously. This

is a massive undertaking which will take several years to complete and will require the closest collaboration between BOB, NESDB, CDG and the operating ministries. To this extent the new program structure at present is but a framework for further development and not as yet an operating reality. To provide expenditure data alone, all allotments and expenditure documents (payrolls, purchase orders, vouchers, contracts, etc.) must be coded with an eleven digit code that covers the program structure, agency, objects of expense and source of funds.

The major purpose of the program structure is to facilitate the monitoring and evaluation of programs and projects. This is central to program budgeting. It is also central to development planning. What BOB does in the area must therefore be linked with the requirements for M/E in NESDB, and, for that matter, the needs of the units in BOB, especially the Evaluation and Reporting Division. The team has noted that NESDB and BOB are pursuing separate paths in developing M/E systems, contrary to the original expectations of the integrated project. Until recently BOB contemplated still another contract with PAS to launch such system.

The same lack of coordination is apparent internally in BOB. Some eighteen months ago the Evaluation and Reporting Division (ERD) revised its reporting system to provide for selective data by the operating agencies every four months on the status of programs and projects. ERD, the agencies, and the provincial offices designated in advance the targets and the

units of measurement. The reports do not include financial data. For high priority projects in the anti-poverty and rural development programs ERD requires monthly reports from project managers and appropriate provincial officials. ERD channels the data in the reports to budget analysis units and through the budget office directly to cabinet committees. In addition, ERD evaluates annually on site some thirty to forty complex projects which experience delays, cost overruns and other problems of implementation. The report is distributed to units in BOB, the operating ministries and the cabinet. On its own ERD has been planning the computerization of its reporting systems.

Despite its on-going activities in M/E, the Evaluation and Reporting Division has not participated in the development of the program structure or in discussions on a new M/E system that might be developed by PAS. In reviewing this internal problem in BOB, PAS, as noted, recommended the transfer of evaluation activities from ERD to the budget analysis units. Regardless of the merits of this proposal - and it is debatable - it is no substitute for a rationalization of evaluation systems and procedures in BOB. This has not been done. Presumably, the proposed new contract would have dealt with this problem.

Computerized Budgetary Accounting System

The computerized budgetary accounting system planned for implementation on October 1, 1981, did not materialize. The only significant work in the area is one of the main activities of the

PAS team in the Comptrollers-General's Department. The team has developed reporting formats and coding instructions, designed the operating system, and, in cooperation with CGD, is well on its way to programming the system. By October 1, 1983, the system should be operational, some two years after the original PAS target.

Revision of Object of Expense Codes and Encumbrance Practices

Seemingly a technical matter, the revision of the O/E codes has important substantive implications. The present codes make it difficult to determine the costs of programs and projects and hence to engage in meaningful cost-effectiveness analysis. A significant proportion of expenditures is coded "other" rather than being assigned to other categories such as personal service, equipment, supplies, etc. The new coding system developed by PAS, BOB and CGD should result in more accurate distribution of costs. Furthermore, in the redesigned accounting system it will be used for "off-budget budgets" such as loans, grants, revolving funds, and fees deposited with and used by operating agencies. In this way, all expenditures in the public sector both on and off-budget will be accumulated and reported in accordance with the new program structure and object of expenses codes.

The present system of encumbering funds also makes it difficult to analyze and control costs. Ordinarily, an encumbrance is an important means of budgetary control. When an agency incurs an obligation or a commitment such as a contract, payrolls

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and purchase orders, funds are encumbered or earmarked in the accounting system so that they can not be used for any other purpose. This guards against overspending allotments and appropriations. Under present law and regulations encumbrances can be carried forward six months beyond the end of the fiscal year before they are paid. In practice, agencies have carried forward encumbrances without any commitments whatsoever up to three years beyond the fiscal year to which they relate. This has enabled them to supplement current appropriations with the appropriations of prior years. PAS has analyzed this practice and pointed out how it militates against effective financial planning and control. It has been instrumental in getting the Ministry of Finance and BOB to insist upon adherence to hitherto ignored regulations.

Rolling Multi-Year Capital and Development Budget System

In its first contract PAS developed a rolling multi-year capital budget system covering basic project data, one-time and recurrent costs, physical and financial targets and sources of funding. During the current contract PAS and BOB expanded the system to include development projects and governmental subsidies to public enterprises. The team has noted the duplication between this system and systems under way or projected in NESDB and the desirability of developing a system that will serve both agencies as well as the operating ministries.

Although BOB has designed a computer system to provide the necessary data on capital and development projects, the system has

not as yet been implemented. The reporting system that would cover the status of projects has not been developed. Annual budget requests have not been completely integrated with the system. At least another year of development and testing in collaboration with NESDB will be needed before the system can be activated.

Budgetary Guidelines

The team has noted the separate development of budgetary guidelines by BOB and NESDB. NESDB concentrates on a reevaluation of the economic and fiscal assumptions on which the Fifth Plan was based, the assessment of agency performance in meeting targets in the Plan and the identification of development priorities for the next fiscal year. In implementing its top-down approach BOB lays out expenditure ceilings and provides some policy guidance on program priorities. Early in 1982 PAS urged NESDB (1) to bring the BOB staff into the process of formulating substantive guidelines, (2) to establish joint NESDB-BOB-agency teams to analyze the needs of the various sectors and (3) to set up an NESDB-BOB team comprised of senior officials to review preliminary findings and recommendations. These suggestions have been only partially supplemented. Nor has work begun on the development of one set of guidelines covering the operating and development budgets.

BOB - Agency Relationships

BOB has taken a major step in persuading RTG to appropriate funds to ministers and to give ministers the power to allot them to their constituent departments. This may have the desirable effect of strengthening ministerial budgeting and planning offices. But BOB will undermine this new policy if budget analysts continue to review and make budgets with individual departments, bypassing the ministry-wide budget office. Ministerial budget offices should take the lead in formulating budgets in their agencies in close collaboration with the departments and in implementing budgets. BOB should foster this development in the interest of more effective decentralization of budgeting.

Next Steps

At the moment BOB is at the crossroads. It has initiated several significant changes in budgeting, especially program budgeting. But there is no assurance that these changes will take hold without the continuing support of the top leadership in BOB.

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PAS PROJECTS - CGD

Centralized Accounting System

PAS has designed a comprehensive and essential accounting system even though the full scope of the system was not covered by the contractual specifications. Upon implementation the system will have the potentiality to provide BOB, NESDB, OAG and the operating agencies with "on-line" current data on revenues and expenditures by program structure, including all programs and projects, agency, location, function, economic classification, object of expense and source of funding. Going beyond just budgetary accounting alone, the system will also encompass public sector expenditures that are now off-budget: loans, grants, revolving funds, state enterprises, and agency deposits. Whether these expenditures should continue to be off-budget is a major policy issue that RTG will have to face sooner or later if it wants a unified budget. In the meantime the accounting system will bring together all expenditures in an agreed-upon classification scheme for control and informational purposes.

Two serious problems have affected the project: delays and confusion as to the role of PAS in implementing the accounting system. Several factors are responsible for the delays, primarily the need to translate extensive documents and reports from English into Thai and the undermanning of the PAS team assigned to the accounting project. The PAS work plan did not

adequately take these factors into account. The scope of work also specified, as noted, that PAS would "monitor the effective installation of the revised system." Presumably, the language suggests, that PAS would install the system it was going to monitor. At least this was the understanding of some senior officials who had reviewed the scope of work in the first instance. In any event, PAS will not implement the accounting system by December 31, 1983. To do so would require additional consulting assistance approximating three to four man-years.

Prior to the end of the year PAS will have designed the present system in detail, including documentation, flow charts, input documents, report formats, and accounting manuals. It will have reached agreement with the four central staff agencies on the coding structure and on the reports that will meet the needs of each agency. By October 1, 1983, it will have been instrumental in preparing computerized budgetary accounting reports. It will have advised CDG on needed revisions in laws and regulations. It will have conducted training sessions and developed training programs. It will have improved preauditing of claims for expenditures and will have built better controls into the accounting system. It will have continued to assist the on-going reorganization of CGD to enable it to discharge its realigned activities more effectively. These are solid achievements, especially since the new accounting system can be a major integrating mechanism by serving the needs of the central staff agencies.

To move the accounting system from the present blueprint stage to the point where it is operational will require extensive

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programming, testing, further systems development, phased imple-
mentations and careful monitoring. These activities can begin
no earlier than January 1984 if RTG wants to go ahead with the
implementation of the accounting system.

Provincial (Changwat) Accounting

In reviewing the existing accounting system PAS also re-
viewed in detail the relationships between the changwat and CGD
accounting systems and the feasibility of automating the changwat
systems. One of the chronic problems has been delays on the part
of provincial treasury offices in submitting expenditure reports
to CGD and in crediting revenue to central government accounts.
Several PAS recommendations are designed to clear up these problems
and appear to be workable. PAS took a strong stand against com-
puterization of provincial accounting systems on the ground that
it was not needed; it would pose dangers of breakdown in the
entire system; and procedural and policy changes can take care
of present problems. The team concurs in this view. So far the
Ministry of Finance of which CGD is a part has not accepted this
recommendation and may yet wish to give changwats access to com-
puter services in furthering decentralization of activities.

Departmental Accounting Systems

With few exceptions manual accounting systems are in effect
in the operating ministries and duplicate the central accounting
system. In theory, the newly designed computer accounting system

could serve the needs of the operating ministries as well as CGD. But obviously CDG must first implement the system before planning to extend it to the agencies. Even with a fully implemented system at hand, it would be necessary to analyze existing systems in the ministries and to link these systems with the central system. This has not been done despite the aim of the scope of work to develop vertical and horizontal management systems. Nor could it have been done within available resources.

PAS PROJECT - OAG

Put bluntly, the PAS projects in OAG were of questionable usefulness and represented a waste of consulting resources (fifty-four man-months) that could have been used to better advantage in the other central staff agencies, especially CDG. The major aim of the PAS project was to develop in OAG the capacity to engage in performance audits so that it could evaluate development projects and provide data on performance to the other central staff agencies and to RTG generally. Virtually every one of the following projects failed to meet this objective:

1. Conduct of performance audits. In 1980-81 OAG benefited from the advice and guidance of a consultant on performance auditing made available by the United Nations Development Program. The consultant participated with the senior staff of OAG in planning and conducting some thirteen pilot projects. Most of the audits focused on the efficiency, effectiveness, and impact of development projects. Although rudimentary in scope, the performance audits were promising initial efforts. With this background, OAG counted on PAS to broaden and deepen its experience with performance auditing by engaging in model audits. Unfortunately, the PAS team planned no performance audits in concert with PAS, participated in none, and did not join OAG in reviewing the results of audits. Nor did it relate evaluations by OAG to those in effect in NESDB and BOB as part of an integrated project.

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At this time OAG is fully committed to performance auditing while recognizing the limitations of its staff. For example, during 1983 it scheduled seventy-one performance audits with fifty-five under way during the team's survey. Most of the audits dealt with projects in rural development such as dams, irrigation canals, rice production, and the expansion of fisheries.

2. Performance audit systems, guidelines and standards.

Much of the efforts of the PAS team focused on the development of standards and guidelines for performance auditing, criteria for the selection of projects for audit, and the design of performance audit systems. At least that's what it termed its activities which were included in the scope of work. In practice PAS attempted to satisfy these requirements by preparing a performance audit manual and including in it standards, criteria, guidelines and systems. The project turned out to be unsuccessful from the standpoint of OAG. The manual is too general and conceptual to be helpful. It is essentially an elementary text that could be written anywhere in the world and has no special relevance to Thailand's needs. It lacks a development orientation and deals superficially with performance audit standards, guidelines and systems. Nowhere does it discuss the conduct and methodology of performance audits.

3. Training program. The training program specified in the scope of work turned out to be a one-week session held with three separate groups. The aim was to train trainers. The

materials for the training session consisted of the audit manual and several case studies, based on the experience of other countries, that had little relevance for the participants. For the most part, the OAG evaluation of the training sessions was negative.

4. Design of a computerized performance audit system. The team has already referred to this ill-conceived and impractical scheme. The appearance of this project in the scope of work proved to be a source of embarrassment to the PAS team and raised for the OAG staff unrealistic expectations. At best OAG might tap into the computerized accounting system when and if it goes on-line in late 1984 or early 1985.

5. Staffing and Organization. PAS developed some inconclusive data on staffing requirements and proposed two organizational plans that did not go beyond the views of OAG in structuring the agency.

While this may be a harsh judgment, the fact is that one man-year of knowledgeable consulting assistance would have been preferable to four-and-a-half man-years dissipated in conducting questionable projects.

Internal Auditing

OAG audits after the event and with its limited staff cannot cover many high priority projects annually. Furthermore, it spends a good deal of time post-auditing vouchers because of the limited training, education and experience of

internal audit staffs in operating ministries. Both OAG and CDG recognize the urgency of strengthening internal auditing in the agencies. This would have the effect of giving ministries the staff capability not only to audit significant financial transactions, but also to monitor the status of programs and projects. At the same time it would free OAG to engage in broader performance audits. Beyond some reference to this problem, the PAS team developed no recommendations for consideration by RTG.

VIII

MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Some of the failings of the PAS projects should not obscure the solid accomplishments of the PAS teams in budgeting, accounting, and, after some false starts, in development planning. Although none of the major projects are fully operational, the groundwork has been laid for their implementation. The team supports their continuation provided several conditions are met.

Project Coordination

From the start the projects lacked a high-level integrating mechanism. Unless one is developed quickly, the momentum for the projects will be lost. It is therefore recommended that RTG establish a cabinet-level committee chaired by Dr. Suthee, the Deputy Minister of Finance, and composed of the heads of DTEC, NESDB, BOB, CGD and OAG. The committee should approve the aims and terms of reference of the next phase of the project, oversee the progress of integrated projects that affect the central staff agencies, and, in general, give the project staff a sense of direction.

A working group is also needed for day-to-day coordination of specific projects and the reconciliation of differences among the agencies. This group should be composed of senior officials of the five agencies with the representatives of DTEC chairing the

group. The chairman should keep the cabinet committee informed on the progress and problems of the various projects. The chief of party of any consulting team that is retained in the future should participate in the activities of the working group.

Consulting Assistance

Should the projects continue additional consulting assistance will be required. The team's rough estimate as to the extent of assistance follows:

- .. Three to four manyears in CGD to implement the central accounting system.
- .. One manyear in BOB for "reprogramming," developing budgetary guidelines, implementing the rolling capital and development budget, and developing an integrated internal system for monitoring and evaluation.
- .. One manyear in OAG to plan, develop, and conduct "model" performance audits.
- .. One manyear distributed as follows: 50 percent for NESDB to carry forward programming, evaluation and preparation for the next five year plan; and 50 percent for the time required to serve as chief of party for all the projects, and act as liason with the working group and cabinet committee.

Beyond the projects required to complete what PAS has started, the team also recommends short-term consulting assistance for two other studies:

- .. Developing in one ministry a model decentralized management system linked with the central staff systems. This could result in establishing more effective vertical linkages as contemplated in the original scope of work. An estimated one-half manyear of external assistance would be needed.
- .. Developing a coherent framework for monitoring and evaluation systems. This is essential if the central staff

agencies and the operating agencies are not to work at cross purposes while creating separate systems. A knowledgeable consultant of some standing should review this problem for about a three-month period and present recommendations to the cabinet committee and the central staff agencies.

Which Consultant?

With some reluctance the team has come to the conclusion that the next contract should also go to PAS. PAS is intimately familiar with existing management systems and has designed some complex systems that stand a good chance to being implemented. To retain another consultant at this time would be time-consuming, inordinately expensive, and possibly counter-productive as the new consultant covered the ground previously trod by PAS. It could be argued that PAS might be retained to complete the accounting project, but that other consultants should complete the other phases of the integrated project. In this event problems of coordination, accountability and "buck-passing" might arise as different consultants worked on separate segments of an overall integrated project.

Should RTG decide to extend the contract with PAS, the following prior conditions should be met:

1. Complete detailed specifications should be developed and approved by the cabinet committee, the working group, DTEC and USAID. The team would be glad to participate in this review.
2. Warren Exo, the chief of party in NESDB, should be designated as overall chief of party. Ordinarily, the team prefers not to deal with the qualifications of individuals. In this case,

however, the team has been impressed by Mr. Exo's performance in NESDB and his broad experience in budgeting and financial management. As a practical matter, he appears to have the competence and skills to conclude the project successfully.

3. Mr. Exo should be personally responsible for the selection of the project staff, subject to the final approval of DTEC and USAID. Again, the team offers its assistance in checking out the qualifications of possible members of the team.

Continuing Evaluation of the Status of Projects

In view of the importance of the proposed management systems for social and economic development, the status of the projects should be evaluated quarterly during a two-week period by an adviser acceptable to DTEC and USAID.

"Lessons" Applicable to Future Technical Assistance in Policy Development

The experience of RTG with PSD highlights the need to take the following precautionary steps to assure the success of major projects:

1. Conducting feasibility studies and developing detailed specifications prior to the award of contracts.
2. Developing explicit criteria for the evaluation of proposals by contractors.
3. Cutting down the scale of grandiose projects in favor of smaller and more manageable projects.

4. Checking more rigorously the qualifications of the staff proposed by a contractor.

5. Getting advance commitments from the government for a full-time counterpart working group.

6. Developing in advance workable integrating mechanisms for government-wide projects.

7. Providing for periodic external and objective evaluation of the progress of the project rather than relying on the reports of contractors.