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### PROGRESS REPORTING AND EVALUATION OF DEVELOPMENT BUDGETS

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ANNEX - PROFORMA

## Introduction

1. The establishment of Economic Planning machineries in different African countries during the last decade has brought to the fore the need for achieving harmonization of fiscal and budgetary procedures and policies with development planning for obtaining better plan implementation. The problem has also been debated on extensively in various seminars and workshops sponsored by the United Nations and its regional commissions during the last two decades and recommendations made for improving relationship between planning and government budgeting. Research studies in this respect have also been carried out to devise procedures to secure better budget-plan harmonization in the context of the special conditions of the developing countries in Africa <sup>1/</sup>.
2. While the need for tying up and streamlining the functional and institutional relationships in planning and budgeting process are undisputed and some visible progress has already been made in some of the African developing countries in these respects, proper attention has not so far been paid to the problems involved in establishing a system of progress reporting and follow-up of development programmes reflected in the budgets for removing bottlenecks noticed during the course of implementation and evaluating the results of implementation. Generally speaking, the implementation of development plans has, in most cases been found to be less than satisfactory in most of the African countries. Implementation lags have been admitted in the economic development plans of Kenya, Uganda, Ethiopia, Nigeria, Ghana, Algeria, Libya, Sudan, Madagascar, Sierra Leone, Liberia, Somalia, and most other African countries. In some cases - Libya for instance - financial implementation of the plan has been up to or even beyond the level contemplated in the plan but accomplishment in physical terms was substantially lower than that anticipated. To a certain extent, this could be attributed to some lack of realism and other drawbacks in the plan itself. However, it has to be conceded that faulty implementation has also been an important contributory factor.
3. As the development process itself involves sacrifices of various kinds from the people of the country concerned in the form of increased tax burdens and inflationary pressures, etc., it is extremely necessary to ensure that plan implementation proceeds as smoothly as possible otherwise there is danger of the people getting disillusioned with the development process itself.
4. There is no doubt that even allowing for the plan implementation problem e.g. shortfall in external resources - which may not be entirely within the competence of the countries concerned to overcome, the effort that generally goes into the implementation of plans in most countries could be greatly improved. For example, measures to raise additional internal resources needed to

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<sup>1/</sup> See E/CN.14/BUD/365 dated 24 October 1966, Report of the Seminar on Budget Planning and Management, Addis Ababa; E/CN.14/410 dated 17 June 1968, Report of the Seminar on Budget Planning and Management held at Kinshasa; E/CN.14/BUD/11 dated 17 January 1970, Harmonization of Fiscal and Budgetary Procedures and Policies with Development Planning; E/CN.14/476, dated 14 April 1970, Report of the Training Course in Budget-Plan Harmonization for English-speaking countries; E/CN.14/BUD/12 dated 7 April 1970, lectures given at the Training Course in Budget-Plan Harmonization.

finance development plans, through increased taxes or through export promotion/import substitution schemes, have not always been adopted up to the levels contemplated in the plan itself. Institutional and administrative reforms too have generally fallen short of what is required for implementing development plans of a rapidly expanding size.

5. While it is the task of planning to recommend an adequate policy framework to support the programme content of a plan, the actual adoption and enforcement of policies comprising that framework falls within the sphere of plan implementation. Plan implementation process represents that particular stage in the total development process at which the programmes and policies embodied in a plan are put into actual execution. The main problems faced in this field by the African countries stem from the problems of organization and co-ordination, and of setting up effective progress reporting and evaluation systems.

6. The problem of plan implementation in various countries may be highlighted by a comparison of the physical and financial targets set in the development plan in different fields at the time of their formulation and the progress that was made in achieving those targets by the end of the relevant plan period. However, this method would not enable an assessment of the extent to which plan implementation may have lagged behind or exceeded because of the flaw in the plan itself, such as inaccurate estimation of resource availabilities, a possible over-ambitiousness of some of the plan's targets, or such other factors. Moreover there are a number of areas covered by development plans in which progress cannot be gauged in any concrete, satisfactory, measurable terms, but which are nevertheless an important part of the plan implementation process. Administrative and institutional improvements and policy changes of all kinds fall in this category.

7. These avenues cannot be adequately explored as enough information is not available, in the case of most of the countries, in the form of comprehensive evaluation or progress reports on development plans, to make a meaningful comparison of goals and achievements possible. However, there is considerable evidence to show that even allowing for plan implementation problems which it is not entirely within the competence of the countries concerned to overcome, the effort that generally goes into the implementation of plans in most African countries could be greatly improved. In a very real sense, of course, plan implementation is linked inextricably with the formulation of the plan itself. At many points, the two processes intermingle with and interact upon each other.

8. The two most important prerequisites for the establishment of an efficient progress reporting and evaluation system are:

- (i) A correct preparation of the plan with clear financial and physical targets and well prepared projects and;
- (ii) An efficient network of statistical informations giving reasonably accurate and rapid results.

Machinery for Plan Implementation - Country Experiences -

9. Amongst the major constraints hindering proper plan implementation are conditions of political instability, too rapid changes of administrative personnel, uncertainties involved in the availability of external resources and fluctuations of export earnings due to the dependence of developing countries on two or three commodities. However, formulation of appropriate policies and their review and adjustment annually would go a long way in improving implementation.

10. The African developing countries, generally speaking still lag behind in the development of institutions for plan evaluation and watching implementation and progress reporting. It would be interesting to state some country experiences in this respect <sup>1/</sup>.

Tunisia

11. To enable it to carry out its medium term development plans, the Tunisian Government established in 1965 a system of annual economic budgets. This is seen as a form of annual plan aimed at laying down annual economic policy in accordance with medium term objectives and at adapting new developments not earlier foreseen to these objectives.

12. At the beginning of 1969 a system of monthly tables was instituted which provide information on progress in implementing the economic budget. A number of institutional reforms were also introduced in 1969 which resulted in a re-allocation of the responsibilities hitherto concentrated in the Department of Planning and National Economy since 1964. A state secretariat for planning attached to the office of the Prime Minister was also set up.

13. The country's medium term plans and annual economic budgets spell out in sufficient details the financial and physical targets. The projects to be implemented are now identified clearly. This is one of the distinctive features of the 1969-72 plan. When previous plans were drawn up, the investments to be made were indicated globally, sector by sector. The investment for specific projects were only roughly broken down into a few sectors e.g. energy and industry and in no case were the different effects of each project indicated. This procedure made it very difficult to control the implementation and did not allow any conclusions to be drawn as to the real causes of shortcomings observed in regard to the proposed objectives. However, the break-up of the existing plan into specific projects has made possible an analysis of investment and the effects flowing therefrom. It was thus possible to make a breakdown of most of the productive investments by enterprise and obviously, this is a decisive step forward when compared with previous plans. It makes a stricter control at the implementation stage possible.

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<sup>1/</sup> For a detailed review of plan implementation of some African countries see E/CN.14/CAP.3/8 dated 13 May 1970 Summary of Country Progress Reports. Paper presented in the Third Session of African Planners.

14. The choice of investments is also made on the basis of detailed investigations. The questionnaires drawn up by the General Planning Directorate and completed by the Sectoral Planning Committees provided full data for the calculation of the overall impact, such as the profit generated by each project, increase in employment, foreign currency earnings etc. The projects were classified according to each of these criteria. The classification formula consists in calculating the expected realizable value of each of these magnitudes from the investments allocated and in classifying the products in descending order of value. If profit for instance, is adopted as a criterion, the method amounts to determining the traditional concept of the rate of internal yield for each project. As regards the so called "unproductive" projects e.g. training of senior personnel, communal services etc., the amount is determined by the financing capacity of the agency responsible for their implementation.

15. In order to evaluate this financing capacity as accurately as possible, the questionnaires drawn up for it stressed the impact of each of the projects on the operational budget. The projects accorded priority for a given financing capacity, were those, of course, which were most directly linked with productive investment e.g. infrastructural projects for hotel construction or projects relating to the training of senior personnel to meet the manpower requirements of the different sectors.

#### Malawi

16. In the year following independence, the Government of Malawi embarked on a five-year development plan calling for public investment during the period 1965-69 totalling £44.6 million. However, the plan did not indicate sources of finance or provide a breakdown of proposed annual expenditures.

17. In 1967, it was decided that a five-year development plan was premature in the then prevailing circumstances, and a three-year development programme was adopted for 1968-70. The programme was a "rolling" one with a firm commitment in respect of the current year and proposed levels of expenditure for the two succeeding years which could be adjusted to suit the availability of resources and ability to carry out the expenditure.

18. Experience over recent years has indicated that such a "rolling programme" has certain advantages in that it ensures continuous revision of the programme of development. In this context the annual operating and capital budget on development account become a short-term plan of one year's duration.

19. Malawi does not operate a central planning organization aimed at directing the private sector but does actively encourage it to develop in particular directions.

Sierra Leone

20. A ten-year development plan was prepared in 1961. This plan has only been partly implemented as its overall estimates were exaggerated and the country lacked absorptive capacity for plan proposals. Two further attempts made in 1965 and 1966-67 at comprehensive planning also did not succeed as the studies on which these were based were incomplete. An important lesson learnt from these efforts was that development meant much more than a random collection of projects. Accordingly a Ministry of Development was reconstituted with the following functions:

- i. Co-ordination between Ministries on Economic matters;
- ii. Development policy;
- iii. Statistics;
- iv. Census;
- v. Economic Intelligence and Planning;
- vi. Investigation application and co-ordination of external technical assistance;
- vii. Progress report on development projects;
- viii. Provision of advice to Ministries on specific development projects.

21. Functionally this Ministry is now organized into three main departments viz. 1. Department of Technical Assistance 2. Department of Projects and Development Estimates and 3. Central Statistical Office. It is also proposed to establish a separate planning and programming unit soon. The appointment of development officers in the provinces and districts is also contemplated. The district councils, of which there are twelve in the country, are already able to finance some projects e.g. local roads, for which they themselves take the initiative; responsibility for primary education also rests with the district councils.

Mauritius

22. Comprehensive Economic Planning and programming have not yet taken roots in Mauritius. The major activities in the field of planning have so far been in the sphere of public capital expenditure programmes. Two bodies viz. the Economic Planning Unit and the Development Advisory Council have been set up.

23. An attempt was made to reduce the amount of plan underfulfilment by having executing ministries report on progress quarterly to the Economic Planning Unit, so that steps could be taken to improve the situation but this has not worked well due mainly to shortfall both in foreign reserves expectation and of execution capacity.

A decade of economic planning has still not solved the following problems:

- (a) how to ensure that projects are carried out on schedule;
- (b) how to evaluate the merits of different projects where there is a disagreement on technical rather than on economic needs;
- (c) whether to be optimistic about resources and face the possibility of cutting back later or whether to be pessimistic and therefore miss valuable development opportunities.

#### Sudan

24. The planning machinery in Sudan since 1969 comprises of the Ministry of Planning, the Supreme Planning Council the National Planning Committee, the National Sector Committees and the Technical Committee for follow-up and execution.

25. The Follow-up and Execution Committee is composed mainly of the presidents of the various planning committees besides the under-secretaries of some ministries. Its function is to co-ordinate the efforts in the various aspects of development and to direct the different technical committees so as to function within the pre-determined framework. It is also responsible for supervising and following up the execution of the plan and submitting reports about the progress of the plan to the Supreme Council of planning via the Minister of Planning. Apart from the Under-Secretaries of Treasury, Economics and Foreign Trade, Agriculture, Irrigation, Industry and Mining, Health, Education, Works Ministries, it is composed of the Governor of the Sudan Bank, the General Manager of Sudan Railways, Deputy Under-Secretary of Planning Ministry and the Minister of Planning who is the president.

#### Swaziland

26. The country achieved Independence in September 1968 and a department for Economic Planning was formally created in April 1969. The post independence development plan covering the period 1969-70 to 1973-74 envisaged a total expenditure of R23 million over the five-year period, including expenditure on power of R2.8 million. In the first year of the plan anticipated expenditure on the Government's capital budget was R1.97 million from the British aid and R0.2 million from other sources, exclusive of the value of technical assistance personnel and exclusive also of capital investment by the Statutory Electricity Board. It may be seen therefore, that the initial target for investment during the first year of the plan was not met. The principal reasons were delays in recruiting technical staff both for project preparation and for execution, and failure to mobilize funds sufficiently. Prospects on both fronts are however improving, technical staff are gradually becoming available from a number of sources and external financial assistance is also being tapped.

Moreover, Swaziland's public finance position has been much improved by the renegotiation of the Custom Union Agreement which among other things has greatly increased Swaziland's share of revenue accruing to the Southern African Common Customs Area Pool, and a surplus for development expenditure was envisaged for the first time in 1970-1971.

27. The planning machinery is still in the process of evolution. With the recruitment of more experts the role of the planning department would then be more comprehensive, involving macro-economic research and policy analysis, sectoral planning and co-ordination and specialized issues such as manpower budgeting. These activities would be in addition to general advisory work on economic matters. The process of developing a clear development strategy and watching implementation is still very slow as the most fundamental data requirements are only gradually being satisfied.

#### Technique of annual planning

28. The experience of African countries in plan implementation with heavy shortfalls against plan allocations have underscored the need to construct comprehensive annual plans in the framework of medium term plans and long-term perspectives. In this context the Government budget assumes the role of the most important instrument of annual plan implementation. However, in view of the varying conditions in different African countries a considerable strengthening of organizational and institutional arrangements will have to be undertaken in order to make comprehensive annual planning a real success. It is for this reason that it has still not made much headway in this region. Since it is one of the most promising planning techniques for developing countries in Africa it is necessary to recognize its basic features as it is of vital importance in progress reporting and evaluation process.

29. The rationale for annual planning lies in the fact that it imparts the necessary resilience and flexibility to the medium term plan in the course of its phased implementation. The Annual Plan is essentially an operational plan since it fully recognizes the needed adjustments and revisions in the medium term plan. Annual planning serves as a device for checking on the implementation of plans from the point of view of the fulfilment of the long-term basic needs of the economy. Annual plans cannot be merely a passive reflection of the current situation; but they are destined to play a dynamic role in moving the economy forwards towards its long-term goals. They provide a convenient framework for the formulation of current policies and management of the economy.<sup>1/</sup>

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<sup>1/</sup> For a detailed discussion of the role and relationship of the Annual Plan with the budget, see part II of E/CN.14/BUD/11 dated 16 January 1970. Harmonization of Fiscal and Budgetary Procedures and Policies with Development Planning and E/CN.11/L.242, dated 14 January 1970 ECAFE Report on the Technique of Annual Planning.



30. Annual planning in its widest connotation, comprises the process of annual plan construction, implementation and evaluation. A critical review of past performance, an assessment of current developments and a forecast of the broad contours of the economic situation in the near future are essential elements in the construction of an Annual Plan.

#### Link between Annual Plan and Progress Reporting

31. There is no doubt that the usefulness of the evaluation of the existing economic trends will depend on the availability and timely inflow of economic information. In view, however, of the inadequacy of statistical data and other unfavourable circumstances a satisfactory aggregative and sectoral economic review may be found difficult to prepare in most African developing countries. The quality of such a review is closely connected with the establishment and functioning of the system of progress reporting which is intended to keep a watch on the implementation and to carry out corrective measures and effect adjustments in the Annual Plan as may be called for. While evaluation would yield lesson of experience from programmes and projects already completed, progress reporting would yield information on programmes and projects in the process of implementation. It will be useful to incorporate in the annual review, important findings and conclusions detailed in the progress reports from time to time, for carrying out improvements in project implementation.

32. Ideally, a comprehensive annual plan exercise should contain the following main elements:

- (i) Evaluation of the past performance of the economy and outline of the strategy for the following years development;
- (ii) Indication of the principal objectives of the annual plan in relation to the medium-term plan objectives;
- (iii) Determination of the physical targets to be achieved in major sectors and fields;
- (iv) Assessment of financial resources;
- (v) Determination of the investment programmes in the public and private sectors;
- (vi) A framework of economic policies for realizing various objectives and physical and financial targets 1/.

33. A great variety of choice regarding annual planning or economic budget methods are available. 2/ The actual method of approach however, will depend

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1/ See Findings of the Conference of Asian Economic Planners - Third Session - Document E/CN.11/804.

2/ See E/CN.11/L.242, dated 14 January 1970.

largely on conditions prevailing in each country; the nature of available statistical data and their methods of collection, etc.. In view of its importance in plan implementation, it is necessary that each country should carry out an assessment of what can be done in this field and make a start in this direction as soon as possible. Partial annual plans may be better than no annual plans at all in the earlier stages.

34. It may be stressed here however, that the formulation of the Annual Plan or Annual Development Programme and its reflection in the budget is not enough for proper and effective plan implementation. It has to be kept under constant review during the course of implementation in order to remove any difficulties or bottlenecks that may develop on the physical or financial side during the course of implementation. It is also quite true to emphasize that in several countries delays in plan implementation may be traced among other factors to poor budgeting and the weak quality of budget estimates. The establishment of machinery for progress reporting and review of plan implementation is therefore no substitute for proper formulation of projects and sound budgeting. The one without the other cannot be entirely effective.

35. The effectiveness of planning machinery is a sine qua non for bringing into focus all relevant social and economic objectives with a view to determining priorities and relationships, and on the other hand for bringing together the principal policy and decision makers so that the degree of consistency among major economic and social policies and measures could be maximized. The proper orientation and organization of the government apparatus at all levels and the marshalling of the political determination to carry through the policies and programmes embodied in the plan are necessary for ensuring plan implementation. Implementation of a plan is a continuous process involving the exposure of all official decisions affecting economic and social life to the test of compatibility with the policy guidelines and longer term objectives set forth in the plan. In order to facilitate the carrying out of longer term purposes through short measures, each government should, therefore, supplement its basic economic and social development plan with a series of annual action programmes.

#### Need for Regular Reviews of Progress

36. While a systematic effort to minimize conflicts between short-term needs and longer term desires will do much to facilitate the implementation of a development plan, arrangements should also be made to carry out a regular review of the progress actually achieved.

37. Wherever possible, the execution of projects and programmes should be monitored in accordance with an appropriate management system. The effectiveness of economic and social policies should also be subject to regular appraisal. The sooner faulty policies and deficient procedures can be brought to light, the more readily will plan goals be achieved. The goals themselves

should also be periodically re-examined. The unfolding of events may have shown them to be too ambitious or too modest. With the development process itself, the priorities attaching to particular objectives may change; bottlenecks may have emerged requiring more urgent attention, technological advances may have made some of the purposes of the plan less relevant. "Modifications in plans should thus be regarded not as a sign of faulty planning in the first instance, but rather as a continuing effort to use the planning function as a development instrument for testing the rationality and consistency of both the chosen objectives and the proposed policies and measures <sup>1/</sup>".

#### Watching Plan Implementation

38. In addition to developing the general economic indicators as barometers of the current state of the economy, it is necessary to keep close watch on the progress of plan programmes and projects during the course of their implementation. Concurrent and periodic reporting of progress during the year, annual evaluation reports at the end of the year and final evaluation reports on the completion of programmes and projects are the most common methods of doing so.

39. In France, a method of warning signals was developed sometimes back. It is built on the following principles:

A set of the most important economic indicators of the plan is chosen. General price level, balance of foreign trade, growth of GNP, growth of industrial production, investment in plant and equipment and level of employment, were selected under the Fifth Plan in France. These indicators were continuously followed in the course of development. The maximum acceptable deviation from each of these targets fixed in the plan was determined at the beginning of the plan period and published. If any of these limits was passed, the warning was to be given to study the causes of this deviation thoroughly and if necessary to take corrective measures.

40. There is no doubt that such a system contributes to flexible adjustment of current economic policies, in accordance with the objectives and targets of the plan, in spite of changes in the economic situation. However, the successful operation of this system would depend on the satisfactory flow of economic information which is not possible to be realized in most of the African countries in the short run.

41. Another technique for watching implementation tried in some developing countries like Malaysia is "operation room" technique. There is a national operation room adjacent to the office of the Prime Minister and eleven operation rooms in each of the eleven States. Complete, current and uniform reports on

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<sup>1/</sup> United Nations General Assembly Document A/AC 141/L.22, dated 5 February 1970; draft paragraphs prepared by the secretariat on International Development Strategy for the 1970's.

progress in public programmes are accumulated here in a modern and simple way. The information is kept complete and up to date, thus permitting fast and efficient decision-making.<sup>1/</sup>

42. If the development process is to be a continuing and dynamic exercise, arrangements will have to be made for the regular appraisal of progress, focusing on the extent to which intended plans and policies have been implemented, targets and other objectives attained and commitments fulfilled. Though such appraisals would be retrospective, their purpose would be forward-looking, they should be designed to help keep objectives realistic in the light of unfolding circumstances, to bring about necessary adjustments and modifications in policies by pin-pointing errors and deficiencies and to provide an opportunity to introduce new aims and new policies as needed.

43. The main tasks of measuring progress must be undertaken at the national level at which goals are determined, policies formulated and measures executed. The countries concerned must ensure that appropriate means are at hand for evaluating their own progress and the operation of the policies and measures being pursued in the implementation of development plans. This may mean the setting up of new machinery in some countries or the adaptation of existing planning mechanism in others. Such appraisal will need to be regular and timely and organized so as to bring technical judgements to bear as promptly and effectively as possible on policies and programmes and when necessary on priorities and objectives.

#### Annual State of the Economy

44. An annual "state of the economy" exercise, carried out in connexion with the preparation of the Annual Plan/budget would in any case be extremely necessary.

The objectives of this annual appraisal would be:

- (i) to identify as soon as possible those obstacles that seem to be the main impediments to economic and social progress, so that remedial steps can be taken;
- (ii) to decide on the relevance and wisdom of past policies, so that modifications can be urged and adopted as necessary and;
- (iii) to re-examine targets and other objectives in the light of unfolding events, so that they can be adjusted and kept realistic and functional.

45. This exercise has two distinct but related aspects. It requires in the first instance, the gathering, analysis and presentation of all the facts relevant to economic and social progress and performance. And secondly, the resultant survey must be subjected to a careful interpretative examination by Government with a view to recommending whatever modifications in policies and targets seemed desirable in the light of events.

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<sup>1/</sup> More detailed information on this technique is given in the Economic Bulletin for Asia and the Far East Vol.1, XVIII No.3, December 1967, p.17.

46. These appraisals should deal with all important aspects of economic and social development, with special emphasis on those elements in respect of which policies or targets may have been recommended and accepted as commitments. Global appraisal will have to focus on a selected group of key variables:

- (i) the main indicators of the current level of human well-being;
- (ii) the main indicators of the capability of the economy to produce needed goods and services in future; and
- (iii) the main indicators of present imbalances and bottlenecks that are impeding progress. It would be desirable to identify in each country a set of standard indicators bearing in mind those areas of economic and social life for which explicit targets or other objectives have been established.

47. Once this set of indicators has been chosen steps should be taken to improve the accuracy and timeliness of the data required to carry out the required measurement. Steps might also be taken to enlarge the range of the measuring devices by means of systematic sample surveys.

#### Financial Resources for Development

48. Developing countries in Africa must endeavour to bear the main responsibility for financing their development. They should, therefore, continue to adopt vigorous measures for a fuller mobilization of the whole range of their domestic financial resources and for ensuring the most effective use of available resources, both internal and external. For this purpose, they should pursue sound fiscal and monetary policies and remove institutional obstacles through the adoption of appropriate legislative and administrative reforms. Particular attention need to be paid by them to the streamlining and strengthening of systems of tax administration and the undertaking of tax reform measures. Above all, the growth of current public administrative expenditures should be watched closely to keep these under check so that increasing quantum of resources could be diverted to developmental uses. In view of the large number and variety of public enterprises handling public investments, there is an urgent necessity to improve their efficiency so that they make increasing contribution to investment resources. Every effort shall also have to be made to mobilize private savings through financial institutions, thrift societies, post office, savings banks and other saving schemes and through expansion of opportunities for saving for specific purposes, such as education and housing.

49. It is also necessary to ensure that the available supplies of resources are channelled to investment projects in accordance with their development priorities.

### Fiscal Effort

50. The plans of most of the African countries postulated substantial fiscal effort with a view to accelerating capital formation for the implementation of plan projects. However, the effort contemplated was not made as contemplated or, if, made in some cases fell short of expectations. In this connexion in addition to the formulation of adequate policy measures and their implementation through the budgetary mechanism, it is extremely necessary to win the co-operation of the general mass of the people in the development process. This will certainly be forthcoming even in the poorest countries if the people are assured that the resources raised by Government would be utilized with economy and efficiency to their ultimate development and well-being. It is therefore, necessary to strengthen public relations function and to stream-line the administration of all projects so that yield from such investments is maximized. This applies equally to the Government investment channelled through government sponsored parastatal bodies.

### Standardized Proforma for Progress Reports

51. Proper implementation of the plan depends to a considerable extent not only on good programming on preparation and pre-investment and sectoral surveys but also on close watching of progress during the course of implementation and the timely removal of bottlenecks and impediments that may be confronted.

52. In countries in which planning for economic development is applied the planning organization forms the core of the planning machinery. Around it are developed a number of associated policy-making, programming and evaluation organizations in order to deal adequately with some of the complex problems which planning and its implementation involve in a developing country. Such organizations may have different names in different countries but these generally range from the highest National Economic Council or Economic Committee of the cabinet to the planning cells in the subject matter ministries, departments and the provincial or local governments. In addition to the organization-forming part of the regular governmental set-up various advisory bodies, working groups and panels are also set up from time to time.

53. In order to establish procedures for reporting on the progress of development projects it would be helpful to follow a standardized proforma which would cover all the relevant information required. Although each country would have to adopt a suitable proforma in this respect to suit its own conditions a model proforma is enclosed herewith as Annex for the preparation of quarterly progress reports on progress of development projects.

#### Main Purpose of Periodic Reports

54. The main purpose of the periodic reports is to provide concise information about the financial and physical progress of development projects against established targets and to denote problems and delays in implementation. The data obtained will provide a better understanding of the projects. This proforma is closely related to the model proforma for submission of development project proposals 1/.

55. Part I of the proforma requires basic information about the description, objectives and targets of the project together with other main particulars about cost, financing and schedule of execution. This part would have to be filled in only once with the first report, and may be filled in again when there is a change in the information supplied earlier.

56. Part II of this proforma should be required to be filled in every quarter. The authority concerned for scrutinizing and reviewing the progress report should record in part III his observations on the progress made and future prospects and action taken on the report. Contents of part III should be suitably conveyed to the reporting authority.

A description of the main items of the proforma is given below:

#### Financial Progress

57. The financial progress should be given yearwise in the table provided for the purpose. The amount budgeted for the year and the amount utilized each quarter should be shown in two columns provided for the purpose. It is not intended that this should be an exact accounting as would be required for audit. Nevertheless the amounts shown for the reporting period should be as accurate as possible.

#### Details of Physical Progress

58. The details of physical progress may be shown in the proforma item-wise. The progress should be shown in precise and specific terms such as, length of road completed, buildings or parts of buildings constructed, length of canal dug or number of culverts completed or tons of fertilizers used, etc. In addition to construction, progress should also be indicated on other matters such as organizational changes, procurement of equipment and facilities, recruitment and training etc. Estimates of completion in percentage terms should also be given so as to permit comparison with successive reports.

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1/ See Annex I, part I, ECA document E/CN.14/BUD/11 dated 16 January 1970, Harmonization of Fiscal and Budgetary procedures and policies with development planning.

59. The extent of progress in the items of work should include the status of such important elements as following:

- (a) Sanctions received;
- (b) Plans and estimates approved;
- (c) Land acquisition and site plans;
- (d) Allocation and use of materials for construction
- (e) Contracts for construction, procurement of stores, equipment etc.
- (f) Progress of construction of buildings, using these guidelines;
  - plinth level;
  - door level;
  - roof level;
  - plastering etc.;
  - electrification and fittings;
  - water supply and sanitary fittings and;
  - compound wall, etc.
- (g) Receipt of stores, machinery equipment, etc. locally or from abroad, and their percentages against the total requirements indented
- (h) Disposal, storage of installation of the stores, machinery, equipment, spare parts of other items received;
- (i) Manpower (personnel) requirements;
- (j) Transportation and utilities;
- (k) Current operation and maintenance.

60. In addition charts, graphs or other descriptive materials showing progress may be submitted with the reports.

#### Employment Effect

61. This information should cover the number of workers employed, the number of **days** worked, the total number of man-hours involved and the actual expenditure incurred (wage bills, other expenditure on labour and total).



Delays, Difficulties and Bottlenecks

62. Reasons for these and suggestions for their removal and general improvements should be given. A broad check list of the kinds of problems that might be encountered is given below:

- (a) Delay in completion of projected plans and estimates;
- (b) Change of plan/revision of estimates;
- (c) Delay in land acquisition or site plans;
- (d) Default on the part of contracting parties;
- (e) Shortage, or delay of equipment machinery, stores, supplies, spare parts etc.
- (f) Shortage or delay of raw materials including:
  - cement;
  - bricks;
  - steel;
  - wood;
  - other materials;
- (g) Delays caused by manpower difficulties such as shortages, poor performance, lack of training, etc., with respect to:
  - managerial and administrative personnel;
  - technical and scientific personnel;
  - skilled labour; and
  - other labour.
- (h) Transportation problems involving:
  - vehicles;
  - rail transport;
  - water transport including port delays;
- (i) Water supply and sanitation;
- (j) Electricity;
- (k) Maintenance;
- (l) Operational problems;
- (m) Delay in booking of expenditure;
- (n) Other difficulties or bottlenecks.

63. If desired, fuller explanations could be given in specific cases. Problems and bottlenecks requiring urgent action must be brought to the notice of appropriate authorities at any time.

64. The completion of the project as scheduled is quite important. Reasons should, therefore, be given for the project being behind or ahead of schedule. In case of delay, there should be explanation of how it will be made up, otherwise a revised date of completion with adequate explanation should be indicated.

#### General Remarks

65. This item is designed to encourage additional comments about progress during the periods. Any benefits that have accrued or other matter of importance should be given here.

66. There is very often a tendency amongst project formulators to keep the financial provisions and other project framework unduly flexible with the result that frequently attempts are made to introduce major modifications particularly during the execution stage of the projects. If the actual cost of projects increases disproportionately as compared with estimated costs of the projects problems are created all round. Finding additional resources is no small problem. Capital investment continues to be unproductive over a long span of period. The lag between completion stage of a project and availability of its end benefits knows no limits and inflationary tendencies thus caused cannot be controlled.

#### Typical Cases of Delays and Increase in Costs

67. It would be worthwhile for each developing country to select a few typical cases of delays and increase in costs and establish their case histories for drawing conclusions and making recommendations of remedial measures. Some of the factors generally noticed in most of the developing countries which result in increased costs during course of implementation are as follows:-

- (a) A deliberate attempt to make benefit/cost ratio look more attractive in order to obtain approval and financial sanction for a project;
- (b) Ignoring the effect of time factor on completion of a project;
- (c) Adding major items of work or changes in the scope of the original project;
- (d) Under estimation of cost of machinery and equipment and also the manner of their productive use on account of unsatisfactory planning for ordering machinery and equipment.

68. It is desirable to keep the period of execution of development projects to the minimum possible. The activity connected with the construction phase of big projects generates inflationary pressures. The capital which is invested remains unproductive unless physical completion of these projects is accomplished, and various natural resources which are to be harnessed become available to the end-users. Some of the projects, particularly those which take long time for their completion should be properly phased out. The main purpose behind phasing of the project should be to stagger capital investment in a way which should produce the benefits in the shortest possible time. In some cases the segments of the project could be so planned for execution that they yield benefits even at the earlier stage and should not be delayed for the completion of the entire project. In certain cases of course this may not be possible. For example, generation of hydro-electric power is not possible till such time a dam is built. With the construction of dam, the storage reservoir will be created and all collateral benefits such as flood control, irrigation, recreation, in addition to hydro-electric generation will become available simultaneously. There may be another project like construction of tube-wells, where it is possible to divide the entire project into independent economic units and as soon as the group of tube-wells, which should constitute this number is ready, the operation of the tube-wells should commence without waiting for the total number to be drilled. This will produce partial benefits of the project according to a phased programme. The phasing of the projects may be possible only if a well thought out plan is first conceived for introducing a staged implementation. It is difficult to have phasing of industrial projects in the private sector, where a project is very often planned as one economic unit and its various phases are so inter-linked and inter-dependent that process of either phasing or segregation may not be possible. In the public sector even, there are instances especially in major development projects where even after physical completion of their main part the end-users fail to receive prompt benefits. This time lag between actual completion of these projects and flow of their benefits to the end-users can be out to the minimum by a process of advance planning. The construction of a thermal power station for example will not make electric connection available to a domestic consumer unless the network of transmission and distribution lines is completed, simultaneously with generating power from the turbines and making it available on the grid system.

#### Management and Operation of the Projects

69. The problems involved in the management and operation of projects should also be thought and planned ahead of the opening of the projects. Any expert deputed to draw up the detailed construction programme for the project should also draw up a proper programme for the management operation as well as the maintenance aspects of these projects. This will mean providing a fool-proof arrangement for the upkeep and maintenance of machinery by ensuring availability of accessories and spares and by advance training of the people, who will be

deputed for such functions. They should also assist in drawing up proper manuals of instructions for maintenance and operation. The fact that a project is completed is not going to make it work on efficient lines, unless the requirements of various categories of properly trained and experienced people are assured well within time. In addition completion of a large project will generally make a substantial amount of construction equipment and a force of trained men surplus. Their reuse on other projects must be thought of ahead of time so that capital invested on the machinery continues to be productive.

### Project Evaluation

70. As soon as a project commences operation, its actual benefits should be assessed as soon as possible with those promised and spelled in the feasibility report. If such evaluation is not carried out then it is difficult to gain useful experience for handling similar projects in future. Some of the basic assumptions according to which benefit/cost ratio of a project may have been forecast may not come out to be realistic in the end. The exact causes for such disparity and major variations should be identified. For example, the standards of socio-economic conditions prevailing in an area before the implementation of a project should be assessed in detail. This check should then be continued after the completion of the project so as to measure its impact in bringing about any improvements in such standards and per capita income of the people who are benefited. The project evaluation procedures have also to be planned for in each case. This should be based on periodical reviews on the basis of proper yardsticks and actual field checks.

### Special Reviews

71. It would be also necessary to supplement annual surveys by regular examination of those aspects relating to structure and other slow moving phenomena. It might for instance be desirable to set a time-table for the in-depth review of such features of economic and social development as land tenure, tax structures, demographic trends, income distribution, urbanization, morbidity trends, industrialization, the effectiveness of education and training, tariff and other obstacles to trade, knowledge of natural resources and the impact of changing technology. In this manner the economic and social development process would be treated as far as possible as an organic process involving a closely integrated set of changes.

### Evaluation Process

72. Generally speaking the evaluation process would involve the following four main elements:

- (i) financial evaluation;

- (ii) physical evaluation;
- (iii) economic and overall evaluation;
- (iv) evaluation of the private sector.

73. The financial evaluation should cover total expenditure in domestic currency and foreign exchange in relation to the budget and plan provision. It would also involve an evaluation of domestic and foreign resources which go to finance the programme.

74. The physical evaluation involves the assessment of the progress in respect of projects under implementation and in relation to physical achievements in respect of completed projects. The comparison of physical achievements can be in relation to the base period, the plan target or the potential demand on the optimum standards. The importance of the different bases for comparison would differ with different sectors. For example, in agriculture the increase may be measured against the accepted base period on the preceding year, in industry with the base period as well as the future target. In case of power, transport, education or health performance may be compared with the potential demand. An important prerequisite for proper physical evaluation would be the determination of physical targets not only in the plan but also in the Annual Plan. The adoption of the technique of programme/performance budgeting would make the task of physical evaluation easier as the important physical targets would under this technique be required to be exhibited in the budget.

#### Economic and Overall Evaluation

75. Economic Evaluation would include national accounts data, manpower data, the performance of the foreign trade sector (including items like terms of trade, tariffs and exports etc.) and also broad evaluation of economic policies. The evaluation of the economic policies would of course, be more important in the evaluation of the plan period as a whole than in annual evaluation.

#### Evaluation of Private Sector

76. Although there is considerable room for improvement of the public sector programmes the evaluation of the private sector would continue to be an inadequate element in the evaluation process in most of the African countries. However, the scope for developing reporting machinery in this area should also be looked into. The four main elements in privately financed programmes are industry, housing, transport and agriculture. Some idea of the accomplishment in these sectors may be formed from capital and credit issue data of the Central Bank and other specialized financing institutions.

### Public Accounts

77. It would be necessary to depend on the figures of actual expenditures rather than budget or revised estimates in carrying out realistic evaluation of investment expenditure. Depending on the conditions in each country suitable measures should be taken to streamline procedures for speedy finalization of public sector accounts.

78. A word of caution is necessary here for employment of data of expenditure or financing provided for evaluating achievements in the agricultural sector. The agriculture projects usually deal with a great mass of "decision centres" made up from thousands of farmers, that progresses are usually slow and subject to external setbacks such as fall in world prices, and that due to the irregularity of climatic conditions, the result can only be appreciated over a three or four year period. The more meaningful and real targets in agriculture would be in terms of areas benefitted by irrigation, soil conservation, improved seeds, plant protection, use of fertilizers and manures etc. From these alone an attempt should be made to estimate the likely additional agricultural production.

79. The adoption of the yardstick of expenditure targets in evaluation and progress reporting can only be justified when there is no wastage which in many cases is not a fact. Again the problem of administrative co-ordination may hold progress in certain cases. There may be instances where information on the location of works being carried out by one agency may not be even known to the other, with the result that the two agencies may be operating in the same area with the possibility of overlapping.

### Targets

80. The information on physical targets may require some elaboration. The overall term physical targets is intended to cover the following specific targets.

- (i) Active targets;
- (ii) Physical accomplishment and;
- (iii) Economic targets.

81. By activity target is meant the specific activity or activities that are required to achieve the physical aim of a project. By physical accomplishment is meant the addition in physical terms that a project makes to the existing resources in a particular sub-sector. By economic target is meant the economic benefits which accrue as a result of physical accomplishment.

### Review of Important On-Going Projects

82. Apart from quarterly progress report it may be necessary to carry out annual or bi-annual (or at longer intervals) comprehensive reviews of important on going projects by actual on-the-site inspection. This review should specifically bring out the status and economic benefits of all on-going-projects and give positive recommendations about their continuation and the pace at which future work on them should be carried out.

### Machinery for Reviewing Progress Reports

83. It is not necessary to give any specific views here on the level and location of the progress reviewing agency in the governmental hierarchy. The problem can be looked into by each government according to its own set up and the intended effectiveness of this organization. However, it may be mentioned that this function to be effectively performed should be very close to the highest executive office in the country to ensure its independence of action and effectiveness.

84. Perhaps it may be better to entrust the progressing and evaluation functions to a body which might function completely independent of both the planning and executing agencies.

85. Committees on plan projects for achieving economies in the execution of projects could also be set up with advantages in most cases. The specific functions of such Committees may be more or less on the following lines:

- (i) to organize investigations including inspection in the field of important projects through specially selected teams;
- (ii) to initiate studies with the object of evolving suitable forms of organization, methods, standards and techniques for achieving economy, avoiding waste and ensuring efficient execution of projects;
- (iii) to promote the development of suitable machinery for continuous efficiency audit in individual projects and in agencies responsible for their execution;
- (iv) to secure the implementation of suggestions made in reports submitted to the Committee on plan projects and to make the results of studies and investigations generally available.

### Composition of Plan Evaluation Body

86. There must be a division of functions between the agency which formulates expenditure proposals and the agency which enforces economy and minimizes waste.

The latter must necessarily be completely independent of the former. The evaluation body whatever its composition should be composed of experts in the field of accounting procedures and planning affairs like economists, engineers etc. The Legislatures of the country concerned should also have a parliamentary sub-committee of plan evaluation constituted on the lines of the public accounts committees existing in many countries. The Committee or organization responsible for plan evaluation and watching progress of implementation should be made responsible to this parliamentary Committee. Then alone it would be in a position to maintain the dignity, independence, detachment of outlook and fearlessness for a fair, impartial, and dispassionate assessment of the real progress.

#### Revolving Committees as Evaluation Units

87. As mentioned above the plan evaluation organization committee would have to set up investigation units which may function like revolving committees moving from one project to another, according to the requirement of work.

88. It would examine the expenditure of the plan the important consideration being, to see if full value has been obtained for the money spent on the various projects. The executed works may be examined with reference to physical targets, materials used etc.

89. Of course, it may not be possible to subject all the projects to a rigorous scrutiny and examination during the course of their implementation. Yet full measure of evaluation results can be achieved if it is done on selected projects picked up strictly on the basis of statistical sampling. Once a project is selected it must not ordinarily be altered and it should be examined intensively from all angles. Perfunctory examination will hardly serve any useful purpose.

90. The progress reports should be periodically published and these should give not only the totals of financial achievements but it should also incorporate typical examples of actual work done under the plan. The bigger the volume of expenditure the greater is the need for scrutiny at all stages and post mortem examination. That would ensure better utilization of scarce resources and would help to reduce wastages, if any, to the minimum.

#### Summary of conclusions and recommendations

91. The heavy shortfalls experienced by African countries in implementing their economic development plans during the last decade have underscored the need for tying up and stream-lining the functional and institutional relationship between planning and budgeting and establishing a system of progress reporting and follow up of development budgets in order to remove bottlenecks that may be noticed in the implementation process.



92. A system of preparing Annual Economic Budgets is being successfully tried in Tunisia.
93. Malawi has tried the system of "rolling programme" to ensure continuous revision of the development programme.
94. The exercise at the preparation of comprehensive plan have not so far produced good results in Sierra Leone for want of analytical data.
95. An attempt has been made in Mauritius to reduce the amount of plan under-fulfilment by having executing ministries report on progress quarterly.
96. The Follow-up and Execution Committee in Sudan is a high powered body which co-ordinates the efforts in the various aspects of development and directs the different technical committees within the predetermined framework.
97. The planning machinery is still in the process of evolution in Swaziland. The process of developing a clear development strategy and watching implementation is still very slow as the most fundamental data requirements are only gradually being satisfied.
98. The technique of Annual Planning is one of the most promising planning techniques for developing countries in Africa as it imparts the necessary resilience and flexibility to the medium-term plan in the course of its phased implementation and serves as a vital link with the Progress Reporting mechanism. A critical review of past performance, an assessment of current developments and a forecast of the broad contours of the economic situation in the near future are essential elements in the construction of an Annual Plan.
99. In view of the importance of the preparation of Annual Plans in the implementation process it is necessary for each African country to carry out an assessment of what can be done in this field and make a start in this direction as soon as possible. Partial annual plans may be better than no Annual Plan at all in the earlier stages.
100. Although the need for establishment of machinery for progress reporting and review of plan implementation is great, it is no substitute for proper formulation of projects and sound budgeting. The one without the other cannot be entirely effective.
101. The proper orientation and organization of the government apparatus at all levels and the marshalling of the political determination to carry through the policies and programmes embodied in the plan are necessary for ensuring proper implementation.
102. The execution of projects and programmes requires to be monitored in accordance with an appropriate management system so that adjustments necessitated by unfolding of events are promptly carried out.

103. Concurrent and periodic reporting of progress during the year, annual evaluation reports at the end of the year and final evaluation reports on the completion of programmes and projects are the most common methods of keeping watch on the progress of plan programmes and projects during the course of their implementation.
104. The successful use of technique "warning signals" as used in France would depend on the satisfactory flow of economic information.
105. The "operating room technique" tried in Malaysia may be successfully used in some cases.
106. The periodic plan and programme appraisals should deal with all important aspects of economic and social development, with special emphasis on those elements in respect of which policies or targets may have been recommended and accepted as commitments.
107. The pursuit of sound fiscal and monetary policies and removal of administrative and institutional bottlenecks in the promotion of public savings through taxation, borrowing and small savings are essential elements in successful plan implementation.
108. In order to establish proper procedures for reporting on the progress of development projects it would be helpful if a standardized proforma is adopted for submission of progress reports which would provide concise information about the financial and physical progress of development projects against established targets and devote information on problems and delays in implementation.
109. It would be worthwhile for each African developing country to select a few typical cases of delays and increase in costs and establish their case histories for drawing conclusions and making recommendations of remedial measures.
110. The execution phase of the projects should be realistically planned to derive possible benefits during the course of execution.
111. On the commencement of the operation of a completed projects an assessment of actual benefits and costs with those spelled out in the feasibility report should be carried out to gain useful experience for handling similar projects in future.
112. Review of special economic elements like taxation, land tenure obstacles to trade etc. should be carried out periodically in order to devise policy measures for plan implementation.

113. The evaluation process should be as comprehensive as possible covering financial physical and economic aspects of both the public and private sector investments.

114. In some cases, it may be necessary to carry out annual or bi-annual comprehensive reviews of important on-going projects by actual on-the-site inspection.

115. It would be better to entrust the progressing and evaluation function to a body which might function completely independent of both the planning and executing agencies.

116. The progress reports should be periodically published and these should give not only the totals of financial achievements but it should also incorporate typical examples of actual work done under the plan.

117. The plan evaluation process would be greatly facilitated by adopting the techniques of programme budgeting performance evaluation and economic re-classification of government budgets and accounts.

ANNEX

PROFORMA

Progress report for the quarter ending 31 March - 30 June -  
30 September - 31 December in respect of .....  
..... Name of project

Location

Part I

(To be filled in only once and repeated when there is a change)

1. Description, objectives and targets
2. Executing authority
3. Sanctioning authority with date of sanction
4. Completion schedule of project:
  - (a) date of commencement;
  - (b) scheduled data of completion
5. (a) estimated cost (original); Internal External  
(b) revised cost if any;  
(c) reasons for change in cost, if revised;  
(d) action taken to regularize change if necessary

Part II

(To be filled in every quarter)

6. Progress in terms of financial expenditure

Year	Budgeted		Utilization				Total	
	Amount	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.			
1970-71		Int. Ex.	Int. Ex.	Int. Ex.	Int. Ex.		Int. Ex.	
1971-72								
1972-73								
1973-74								
1974-75								

Financial commitments made against which expenditure has not been incurred as yet.