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NOTE BY THE SECRETARIAT ON THE SITUATION OF ECONOMIC  
AND SOCIAL APPRAISAL TASKS IN LATIN AMERICA

(General conclusions reached in the cycle of Seminars held in 1974 on the Review and Appraisal of the International Development Strategy: the organizational problems raised by this task in the countries of Latin America.)

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## 1. Background

During the second half of 1974 four Seminars were held on the Review and Appraisal of the International Development Strategy: the organizational problems raised by this task in the countries of Latin America. They were sponsored by ECLA and the Centre for Development Planning, Projections and Policies of the United Nations Department of Economic and Social Affairs. The countries were represented by government officials invited in their personal capacity.

The first Seminar was held in Buenos Aires from 9 to 14 September 1974. Countries participating were Argentina, Brazil, Uruguay and Paraguay.

The second Seminar was held in Santiago from 30 September to 4 October 1974. Participating were representatives of the member countries of the Andean Pact and officials of the Cartagena Agreement.

The third Seminar was held in Mexico City from 14 to 19 October 1974. Participating were officials from the Central American countries and Mexico.

The fourth and last Seminar was held in Port-of-Spain from 28 October to 1 November 1974 in which officials from the English speaking Caribbean countries, Haiti, the Caribbean Community (CARICOM) and the East Caribbean Common Market and of the Caribbean Development Bank participated.

## 2. Objective of and principal subjects discussed at the Seminars

The objective of these meetings was to review, in the light of Latin American experience, the advances made and obstacles met by the countries and United Nations organizations in their endeavour to carry out the systematic review and appraisal of the development processes. The resulting examination covered both national and international levels. At national level the aim was to pool the experience of the planning organizations, the ministries of economic planning and finance,

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the central banks and development corporations or public enterprises. At the international level, attention was given to discussing the experience of the ministries of foreign affairs and other institutions involved in the foreign economic policy of the countries.

The discussions centered on four principal subjects.

First, they examined the nature, and conceptual and technical elements of the development appraisal. It was seen that on introducing new social variables, the generalized acceptance of the social, political and economic nature of the development process proved to be an important advance in the identification of frames of reference, and in the postulation of principles which ought to govern the organization of information for the appraisal. In both these spheres as well as in that related to the institutional structure, there is still much to be done before the principles stemming from an integrated view of development find a means of expression in methods and organizations.

Secondly, they discussed experience gained so far in the appraisal of the International Development Strategy. The review of the experience of the first appraisal was of great practical utility, and served as the basis for the examination of the nature, objectives, methodology, institutional organization, and information needs of an appraisal exercise of a development process at international level. They also discussed the aims which ought to be pursued by the Second Appraisal in the light of the present international economic situation. Among other conclusions, prominence was given to the need for a new blueprint of the IDS, and it was in this sense that the recent resolutions of the General Assembly on the creation of a new international economic order and the programme of action for its establishment were interpreted. From the point of view of methodology this blueprint will mean a redefinition of international economic relations and, therefore, of the objectives and policies related to the external sector of national economies.

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They further discussed the experience and institutional, administrative and technical organization of the Appraisal in the Latin American countries. The representatives of the countries described the efforts they were making in the field of the appraisal showing that many institutions were making substantial progress in this respect. Methodologies had been formulated to control the implementation of plans, policies, programmes and projects in a number of development fields, ranging from long-term programmes and projects to monetary and fiscal policies resulting from the economic situation. The exchange of views revealed possibilities of co-operation, particularly in the appraisal of annual plans, and priority projects and programmes in respect of which the region disposed of an acceptable degree of experience.

Finally, they reviewed in greater detail the methodological and technical problems arising in the appraisal of some aspects of the development process, such as the mobilization of domestic resources, external financing, and integration processes. In general, these were fields in which the region had had long experience, both at national and international levels. The appraisal and control of such fields remain a constant source of concern for development planners in their countries, and the international organizations responsible for the preparation of the information required for the regional appraisals. This turned the discussions towards technical aspects such as the difficulties of identifying frames of reference, and of adapting the methodological and institutional schemes which served as a basis for the collection and processing of information.

On the completion of the four seminars it was difficult to pinpoint the principal subjects discussed, given the wide range of valid contributions made by the representatives of the countries and the technical nature of the discussions. To provide a satisfactory idea of the technical breadth and nature of the subjects discussed a detailed agenda which guided the discussions is annexed.

### 3. The general conclusions reached at the Seminars

Given the informative nature of this note, and in view of the fact that there are provisional reports for these seminars, a summary only of some of the conclusions reached by the participants in the discussions is given here.

#### (a) Present situation of appraisal tasks in Latin America

At national level two types of efforts have been observed. One of them is being implemented within the planning machinery under the control of the planning offices or ministries. Experience gained in almost two decades of planning has led to the introduction of systems of control and follow-up for the implementation of plans, to keep them up to date and to evaluate the degree to which the proposed targets and objectives have been achieved.

The second type of effort is being made by State institutions, other than planning offices, in the implementation of their policies, programmes and projects. The degree to which links have been established between the efforts of these institutions and those effected by the planning machinery varies. However, there is no doubt that in the last ten years numerous attempts have been made to establish links, some of which have taken the form of permanent governmental activities. Although it is difficult to group highly disparate experiences together, an attempt will be made to place these activities in given contexts; some of these activities are enumerated here. There is a growing interest in the central banks, ministries of economic planning and finance and planning offices to keep under close review what is happening in the field of prices, wages, employment, balance of payments, budgets, and monetary position. This follow-up procedure has reached a fairly advanced stage in the overall review. On the other hand, the development corporations, public enterprises, development banks, public works ministries, ministries of economic planning and finance, and the planning offices determine the importance of given priority programmes and projects, which together, influence

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changes in the productive structure of a country. The control of their implementation and the subsequent appraisal operation constitute, no doubt, an essential means of ensuring structural transformation and providing information on the actual results. Finally, given the effects and impact of the present international economic situation, accentuated by the great dependence of Latin American economies on the external sector, there is a great degree of interest in carrying out a permanent appraisal of events affecting the world economy. The ministries of foreign affairs, foreign trade and central banks are making maximum efforts in this direction.

(b) Overall periodic appraisals and medium- and long-term prospects of the development process

It is believed that a system of periodic overall appraisals of the development process is a prerequisite for the efficient administration of the implementation of a development strategy, particularly in respect of the necessary policy adjustments. In those cases in which the planning machinery has reached an adequate stage of development and has been in operation for a sufficiently long period to become the guiding instruments of development strategy, the appraisal exercise becomes one and the same with the tasks of reviewing and reformulating the medium- and long-term plan.

The primary objective of this appraisal is to determine how and to what extent institutional transformation, major policies and the planned strategic programmes and projects are being implemented, and with what result. In other words, it can be said that the principal aims of this type of appraisal are to determine to what extent the changes made in the socio-economic structure fit the structural changes planned in the government strategy, and to what degree there are deviations in the plans on the productive potential of the country, and access to new standards of living and the effective participation of the various social groups. The information sought, therefore, in this instance is whether, according to plan, the human, institutional, and material bases planned for future development are being created, and what reorientation seems advisable in the light of the periodic reviews.

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Obviously, it is not easy to decide before hand on the length of the periods which should elapse between full appraisals of this nature. However, it seems clear that there is no point in having them too frequently, for structural changes take time and the effects of many development policies are only felt after a considerable lapse of time. One year would seem to be the minimum period between two appraisals of this type, and probably two years is closer to the optimum period. In those countries which are sufficiently stable for medium-term development policies or plans (four to six years) to be established on a reasonably permanent basis, at least two appraisals were suggested: one, mid-way through the period and the other at the end of the period. After the first appraisal (half way through the period) there would be time to introduce necessary adjustments, and the second (at the end of the period) would constitute the link with the subsequent plan.

Of course, the foregoing should not constitute an obstacle to an immediate review in view of important changes in certain fundamental aspects of the policy or plan, which could lead as well to the modification of priorities, as has been seen in the case of recent revisions of some policies as a result of the effects of the Latin American economies of the present international economic situation.

It is clear that the existence of a plan which establishes quantitative objectives and targets with the necessary interrelations is indispensable for a good appraisal to be carried out. However, a comparison of figures (and parameters) should not become the leit motif of the exercise. What is essential is to show: (i) whether the main institutional changes, policies (incentives and disincentives) and programmes, and strategic projects being carried out which are in fact those which constitute the very essence of a development strategy; (ii) what real effect has been produced through the application of the proposed strategy, and (iii) what adjustments ought to be suggested to the pertinent authorities.

/(c) Conjectural



(c) Conjunctural appraisal and analysis of short-term prospects

The achievement of policy targets or targets of a medium-term plan depends, to a large extent, on the manner in which the government budget is used (particularly in respect of public investment) and how certain pressures in the economic system are resolved which, although not directly linked with development policies and programmes, could produce serious distortions in the latter. The objective of conjunctural appraisal and the review of short-term prospects consists, therefore, of achieving satisfactory budget follow-up and moreover, and in particular, of determining the imbalances being produced in the economic system, the effective importance of such imbalances, the distortion these effects could mean in the achievement of medium-term targets and the necessary adjustments for mitigating them. In sum, the question turns around the implementation and use of development policies and programmes as well as of the government budget in the most favourable climate possible.

In practice it has been accepted as desirable that the conjunctural appraisal and the review of short-term prospects be carried out quarterly, although some countries do so every six months, and only once a year do they carry out a sufficiently wide and detailed appraisal. The review in this type of appraisal, usually macroeconomic, tends to use many of the analytical instruments of both the keynsian and post-keynsian type aggregate models, although differences are found in some of the assumptions used. The review usually considers the following elements: indicators based on production and gross geographic product by origin, consumption and investment, balance of payments "capital and current account", the employment situation, prices and income, and the fiscal, monetary and credit situation.

(d) Experience of the first regional appraisal of the International Development Strategy

It ought to be borne in mind that the resolution on the International Development Strategy lays down that every two years the economic and social evolution of the developing countries should be reviewed and appraised in connexion with its aims and objectives and

/the implementation

the implementation of the proposed policies and measures. This is done within the framework of the United Nations through the regional economic commissions, the specialized agencies of the United Nations, the development planning committee, the Economic and Social Council, and the General Assembly.

ECLA secretariat worked intensely during 1972 in carrying out technical studies and reviews which were required for the first appraisal, for the two-year period 1971-1972. The relevant documents were distributed at the beginning of 1973. These documents were submitted, at a primary stage, to the Committee of High Level Government Experts, made up exclusively of representatives of the developing countries members of the Commission, and set up to undertake the review and appraisal of the International Development Strategy; at a second stage, they were submitted to the fifteenth session of the Commission, which was held in Quito in April of that year. At this meeting ECLA adopted resolution 320 (XV), which approved the first regional appraisal of the IDS carried out by countries of the region, and noted, moreover, the points of view and reserves of the other members of the Commission.<sup>1/</sup>

Experience gained in the first appraisal exercise at regional level, as well as at the level of national governments provided ample material for discussion in the seminars. In fact, almost all the aspects considered in this report referred in one way or another, to the experience and evolution of the first two-year period. Basically, it was seen, that if the region is taken as a whole, the global growth rate had approached, particularly towards 1972, the targets established in the IDS. This stepping up of overall economic progress was the

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<sup>1/</sup> A similar process will be carried out during this year during the second biennial appraisal, which takes the form of an overall review oriented towards the revision of the IDS. This is of great importance because of the profound changes taking place in the international economic and political scene, and particularly because of the effects of the present international economic situation on Latin American economies.

result of the relatively strong economic growth experienced by a small group of countries, which included some of those of major economic and demographic importance in the region. The vast majority of countries, therefore, had not succeeded in reaching the targets established in the IDS.

Various economic social and institutional factors which had provided an impetus to or hampered the Latin American process were examined and one of these stood out, particularly with reference to 1972, namely, the major role played by the external sector in the increase in the economic growth rate. In this respect, particular attention was given to the rise in prices of primary commodities, and the results of national policies to diversify and increase exports, both in the field of basic commodities, and in the expansion of new trade flows of industrial products.

There was general agreement that, during the first two years, almost nothing had been done to advance the adoption of measures in the international order to facilitate the expansion of trade in primary commodities and to establish bases which would ensure real and stable remunerative prices, neither had anything been done to achieve the financial assistance targets laid down in the IDS. Similar conclusions were reached with respect to other international fields such as technical assistance and assistance in science and technology.

It is felt that Latin America needs even higher growth rates than those laid down in the IDS, and that such an increase in economic growth, within the framework of the profound changes in the structure of the product, and in the guidelines for its social distribution, is indispensable if the critical problems of poverty and of raising employment levels were to be resolved.

Moreover, it was noted that present trends tend to maintain and increase the gap which separates the Latin American countries from the industrial ones, in respect of average levels of consumption, science and technology, production, productivity and income. It was stressed that in order to achieve a higher degree of economic growth and

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preserve national autonomy while directing the development process, substantial changes in the structure of economic relations between developing countries and the industrial ones were inevitable, as outlined in the resolutions on the establishment of a new international economic order adopted by the General Assembly of the United Nations.

(e) Organization of information

The procedures and methods which ought to be used for the organization of available statistics to permit the calculation of the indicators required by the appraisal of the development process was another of the central themes of the discussions.

As regards the availability of statistics, it ought to be borne in mind that the initial work on national accounts goes back to the last three years of the 1940s, and during the 1960s these estimates grew in importance. Around 1960 the majority of the countries of the region had at least some periodic statistical series of the gross domestic product by branches of activity and by type of expenditure, generally at current and constant prices. During the 1960s these calculations were consolidated and improved, the breakdown being widened in terms of accounts and tables, methodologies were established which made use of basic available statistics to a large extent, new forms of basic research were carried out, and competent technical cadres were trained. However, this trend although apparently satisfactory, is today over-shadowed by the fact that some estimates are becoming more and more unreliable and are not available at the time required. The causes underlying these defects are to be found in the weakening of basic information and, in many countries, the lack of general long-term statistical plans which give proper consideration to information needs for national accounts, or the inadequacy of resources allocated for implementing them.

The participants made proposals aimed at improving the present situation, by making better use of basic statistics and reformulating the schemes under which secondary statistics were prepared.

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Making better use of basic statistics seems relatively easy in practice, since both the public sector in its entrepreneurial aspect, as well as private companies, keep complete accounts which are valuable sources of statistical information.

This type of information would facilitate the review of new aspects of particular interest to the Latin American development process, related to changes in the form of the organization of economic activity and their impact on production and on income distribution. By way of illustration, attention ought to be drawn to the appearance of the transnational enterprises, the widening of the radius of action of public enterprises, and the transformation of one-man businesses into companies, the result of which will probably be a more concentrated organization of production and an apparent drop in the concentration of personal income, owing to that part of income which is set aside for reserves and provisions by the enterprises.

The field of secondary statistics was that which was of greatest interest to the participants. Undoubtedly the preparation of statistics from national accounts meant a qualitative change in the development review in the majority of the countries. The present system raised new challenges which were extensively discussed. On the one hand the emergence of new preoccupations, such as the analysis of critical poverty, the quality of life and environmental pollution, made it necessary to establish new accounting bases and indicators for their evaluation. On the other hand, some aspects of information are a long-standing source of concern, for which suitable solutions are still to be found. An excellent example is the old aspiration to replace certain synthetic indicators, such as the product and income, with indicators which provide information on the distribution of the fruits of growth. In this connexion, the possibilities offered by home surveys as a means of providing indicators, both on the distribution of income as well as the status of different population strata with respect to access of goods and basic services were discussed.

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Finally, a long list of indicators prepared by the ECLA secretariat which took account of the present availability of information, with a view to providing the base for a complete review of development, was examined. The participants made valid contributions in expressing their opinions on the representativity of the indicators with respect to the priority problems in their respective countries, and the possible calculations which could be carried out on the basis of available information.

It should be stressed that the ECLA secretariat prepared a systematic series of economic and social indicators relevant to the general development process and the significant aspects of the external sector, which offers statistical information on the trends observed in the 1960s and the first four years of the 1970s. These indicators have been used in the second regional appraisal prepared by the secretariat, document E/ECLA/AC.69/2, which is to be presented to this Committee, and at the sixteenth session of ECLA.

Annex

DETAILED AGENDA

I. The nature and conceptual and technical elements of the development appraisal

1. The economic, social and political significance of the appraisal and its objectives.
2. Information, technical elements and institutions required for the organization of the appraisal.
3. Characteristics of the economic and social process which are of particular importance for the appraisal. Their interrelationships, and review of internal and external exogenous factors.
4. Reference patterns, policy objectives and scale of values for the appraisal. The economic, social and political framework.

II. The system of appraisal established in the International Development Strategy (IDS). Lessons learnt from the first appraisal

1. The system of appraisal set up within the United Nations and its links with the national appraisals.
2. ECLA's regional appraisal. The study by the secretariat and the Quito Appraisal.
3. Lessons learnt from the first appraisal: availability of information, basic studies, degrees of definition of objectives and policies, channels of communication and other aspects.
4. The aims of the second appraisal in the light of international economic and financial trends and the resolutions adopted at the sixth special session of the General Assembly.

III. Experience and institutional, administrative and technical organization of the appraisal in the Latin American countries

1. Types of appraisal in course of preparation in the various countries: control of the implementation of plans, programmes and projects, the long-term development process and the present situation.

2. Institutional, technical and administrative organization for the appraisal and its links with the planning system and decision-making centres.
3. Procedures and machinery used. Availability of information, indicators and basic studies.
4. Results of the appraisal in relation to adjustments in plans and policies.

IV. Methodological and technical problems arising in the appraisal of some aspects of the development process

1. Review and overall appraisal of the development process
  - (a) Priority criteria and objectives of development policy: economic growth, financial stability, employment, production technologies, income distribution and critical poverty. Analysis of compatibility and interrelationships.
  - (b) Accounting systems, and methods and models for analysis and interpretation.
  - (c) Indicators and information required for appraising the operation, dynamism and economic and social results of the process.
  - (d) Appraisal of economic and social development prospects.
2. Review and appraisal of the mobilization of domestic resources and institutional reforms, with particular attention to certain aspects.
  - (a) The process of accumulation
    - Domestic saving: Information and systems for the review and appraisal. Public and private sectors and social groups. Goals and objectives and their links with overall policy.
    - Domestic investment: Information and systems for the review and appraisal in the public and private sectors, by economic sectors and internal regions. Development policy priorities, goals and objectives and their links with overall policy.



- (b) Institutional reforms in production (particularly agrarian reform), financial organization and public administration.
  - Identification of direct and indirect objectives pursued through the reforms. Links with development objectives.
  - Indicators and information required for appraising the costs and results of institutional reforms.
- 3. Review and appraisal of foreign trade and the integration processes.
  - (a) Export and import flows: statistics and indicators for analysing the rate, composition and geographical distribution. Terms-of-trade indexes.
  - (b) Information and methods for analysing the trends of the international commodity market.
  - (c) National foreign trade goals and policies.
  - (d) Organization of information on international policy and the adoption of specific measures in connexion with Latin American trade. IDS policy goals and objectives.
  - (e) Review and appraisal of regional integration processes: statistics and indicators of trade flows. Integration policy goals and objectives. Criteria for appraising the integration process.
- 4. Review and appraisal of external financing.
  - (a) Balance of payments accounts and their use in the review and appraisal.
  - (b) Gross and net flows of external financing: their classification by different criteria. Terms and conditions of financial services. Information required and the appraisal of national plans and IDS objectives and measures.
  - (c) External debt and indicators of indebtedness: information and methods of analysis.

