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Alliance for Progress

CONSULTATION ON PLANNING OF ECONOMIC AND SOCIAL DEVELOPMENT  
NOTE BY THE SECRETARIAT

The appended paper on Immediate problems of planning within the framework of the Alliance for Progress, prepared by the Secretariat of the Organization of American States, is a short summary of the round table discussions on this topic held at the OAS Headquarters, Washington, in December 1961, by representatives of the American countries and of ECLA and IDB. These meetings clearly foreshadowed the Latin American Planning Seminar which has just taken place at Santiago, Chile, and the present session. The secretariat therefore considers that it should be distributed to the delegations as an information document.



SHORT SUMMARY OF THE ROUND TABLE DISCUSSIONS ON  
"IMMEDIATE PROBLEMS OF PLANNING WITHIN THE FRAMEWORK  
OF THE ALLIANCE FOR PROGRESS"

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Pan American Union  
General Secretariat, Organization of American States  
Washington, D.C.



SHORT SUMMARY OF THE ROUND TABLE DISCUSSIONS ON  
"IMMEDIATE PROBLEMS OF PLANNING WITHIN THE FRAMEWORK  
OF THE ALLIANCE FOR PROGRESS"

- Moderator: Sr. Jorge Sol Castellanos, Executive Secretary  
of the IA-ECOSOC
- Technical Secretary: Mr. Walter Sedwitz, Director, Department  
of Economic Affairs of the Pan American Union
- Rapporteurs: Mr. Louis O. Delwart, Chief, Planning and  
Programming Unit of the Pan American Union
- Sr. Armando Cassorla, Adviser, Sub-Secretariat  
of Economic and Social Affairs of the  
Pan American Union
- Special Guests: Sr. Raúl Prebisch, Undersecretary of the  
United Nations Economic Commission for  
Latin America
- Sr. Felipe Herrera, President, Inter-American  
Development Bank

Participants

- Sr. Roberto de Oliveira Campos, Ambassador of Brazil to the  
United States
- Sr. Alfonso Patiño, Titular Delegate and Chief of the Delegation  
of Colombia to the Special Meeting of the IA-ECOSOC at the  
Expert Level
- Sr. José Rafael Oreamuno, Ambassador of Costa Rica to the  
Council of the OAS
- Sr. Israel Talavera Falomino, Alternate Delegate of Cuba to the  
Special Meeting of the IA-ECOSOC at the Expert Level
- Sr. Walter Müller, Ambassador of Chile to the Council of the OAS
- Sr. Humberto Díaz, Gerente General de la Corporación de Fomento  
de la Producción de Chile (General Manager of the Corporation  
for Development of Production of Chile)
- Sr. Germánico Salgado, Director Técnico de la Junta de Planifi-  
cación y Coordinación Económica, República de Ecuador  
(Technical Director of the Planning Board and Coordination  
of Economics, Republic of Ecuador)
- Sr. Stanley Avalos Miranda, Jefe Interino del Departamento de  
Política Económica, República de El Salvador (Interim  
Chief of the Department of Economic Policy, Republic of  
El Salvador)

/Sr. Raúl Reina

- Sr. Raúl Reina Rosal, Coordinador de Ministerios, República de Guatemala (Coordinator of Ministries, Republic of Guatemala)
- Mr. Teodoro Moscoso, Assistant Administrator for Latin America, U. S. Agency for International Development
- Mr. William B. Turnage, Office of Inter-American Regional Economic Affairs, U. S. Department of State
- Mr. John P. Hoover, Special Assistant to the Assistant Secretary of State
- Mr. Milton Barrall, Deputy Assistant Secretary, Bureau of Inter-American Affairs, U. S. Department of State
- Sr. Carlos Humberto Matute, Secretario General del Consejo Nacional de Economía de Honduras (General Secretary of the National Council of Economics of Honduras)
- Sr. Mario Ramón Beteta, Manager, Bank of Mexico
- Sr. David Samudio, Director General de Planificación de la Presidencia de la República de Panamá (Director General of Planning, Presidency of the Republic of Panamá)
- Sr. Guillermo Chapman Fabregá, Economista, Departamento de Planificación, Panamá
- Sr. José Antonio Mayobre, Ambassador of Venezuela to the Council of the O.A.S.

A special Round Table was called by the PAU Secretariat for Economic and Social Affairs to discuss the "Immediate Problems of Planning within the Framework of the Alliance for Progress". The discussions were held on an informal basis and took place during the morning and afternoon of December 4, 1961.

The session opened with a statement by Sr. Jorge Sol, who outlined the broad theme of the Round Table. The Charter of Punta del Este is concerned not only with long-range development programmes, Sr. Sol said, but also with short-term, high-priority programmes. These programmes will be of decisive importance in organizing the planning effort and in bringing immediately tangible achievements to the peoples of Latin America.

The Alliance has already passed the first stage, the sixty-day emergency period, Sr. Sol said, and the experience with this programme has not been entirely satisfactory; this is partly because of inadequate preparations and some misconceptions about the meaning of the emergency programme. It is the more necessary, therefore, that well-conceived short-term programmes (as distinct from the sixty-day emergency projects) be formulated for the next two years. The core of these programmes could take the form of investment budgets; for their preparation, the countries can count on the assistance of the Panel of Experts.

/Mr. Sedwitz

Mr. Sedwitz discussed the preparation of two-year investment budgets as a mechanism of short-term planning. He noted that investment budgeting is essentially a method of classifying and presenting public sector expenditures by functions. This has the advantage of establishing a systematic planning procedure, permitting an assignment of priorities to particular projects and studying their inter-relationships, and of assisting in making decisions about sources of financing. The investment budget, of course, must be supported by a wide range of economic policies for the realization of its objectives. It is not an end in itself, but rather a means of making economic planning operational in the short-term period.

Mr. Sedwitz then proceeded to a discussion of the categories of information needed for the preparation of an investment budget, and suggested functional groupings of expenditures. The investment budget does not require any change in the presentation of the fiscal budget, but it makes necessary a recalculation of budget items; it could, in fact, take the form of a "shadow budget". There are difficult conceptual problems to be solved in determining which expenditures are in the nature of capital items. In view of the need to formulate a short-term programme, however, a technically perfect presentation of a capital budget would have to take second place to its speedy preparation.

## I. Integrating Short-Term and Long-Term Programmes

### 1. The Investment Budget and its Relation to the Two-Year Programme

The concept of investment budgeting and its relation to the short-term programme was the first subject under discussion. Sr. Mayobre pointed out that investment budgeting did not guarantee economic planning; planning requires, in addition, the setting of priorities. Sr. Salgado found the concept of investment budgeting to be a useful one. However, he was apprehensive of the difficulties that would be encountered in achieving adequate execution and control of a budget on a programme basis.

/The importance

The importance of proceeding rapidly with a policy of incentives - even in the absence of an investment budget or a comprehensive plan - was stressed by Sr. Herrera, who related the success experienced by Chile in stimulating new export industries through a policy of economic incentives.

Sr. Díaz stressed two important limitations of two-year investment budgets or programs. One is the physical constraint imposed by the need to complete work in process; the other is the institutional constraint imposed by such requirements as the statutory earmarking of funds for specific projects. These constraints restrict substantially the freedom of action of planners; as a result, two-year programs can be little better than a continuation of work in process.

The consensus was that short-term programs could start from the investment budget, which would then be related to the economy as a whole. This means that fiscal, monetary, and incentive policies, including tariffs, would have to be considered jointly with the investment budget. It was felt that these policies would contribute to the success of the investment budget and, in addition, could aid in the realization of broad private sector objectives.

Planning is a continuous process and gradual improvement can be expected over a ten-year period. There was agreement that the Ad-Hoc Committees could be consulted by countries in the process of elaborating their investment budgets, and that the countries could also count on the cooperation of the Tripartite Committee in the solution of their technical difficulties.

2. The Need for a Sectoral Approach. The need for a sectoral approach to planning was stressed by Sr. Díaz. Project evaluation has two aspects: the judging of each project on its own merits, and its relation to the parent economic sector. The merits of individual projects often appear in a different light once they are studied within the context of their own sector. Sectoral studies of the economy are, therefore, a necessary step to competent project evaluation.

Sr. Campos favored the sectoral approach in the case of Brazil, even to the extent of being somewhat dubious as to the worth of a national program. Sr. Prebisch recognized the need for sectoral plans, but felt that national plans could not be ignored. For smaller countries the task of assembling national plans is likely to be less complex than in the case of Brazil.

Sr. Herrera pointed out the need for sectoral plans to be viewed in relation to the statutes of financial agencies. He cautioned the participants against the belief that general country programs would give automatic access to international financing.

/There was



There was general agreement that sectoral studies in depth should be increasingly emphasized in the future.

3. The problem of Balance between Social and Economic Projects. The problems of proper balance between social projects and projects of direct economic significance also held the attention of several speakers. According to Sr. Herrera, there was a fairly widespread feeling that an excessive number of social projects had been presented since the Bogotá Conference, and that many of these had not been given careful consideration. He took the position that this view was largely a misapprehension. Social projects were starved for funds before Bogotá, but he felt confident that a suitable equilibrium between social and economic projects would be achieved. Mr. Moscoso favored a substantial proportion of social projects; he noted that many such projects had, in fact, already been approved by his agency.

There was some disagreement among participants on whether the task of preparing social projects was more complex than that of assembling economic projects. There was consensus, however, that the difference between the twotypes of projects was somewhat arbitrary in that many social projects had a stimulating impact on the economy.

4. Securing Immediate Financing for Projects. The participants were also concerned with the problem of securing financing during the period when investment budgets and short-term programs were being readied. There was unanimity among participants that financing of valid projects would not be held up during the period of preparation and review of short-term programs.

5. The Duration of Long-Term Programs. The question of duration of long-term programs briefly occupied the attention of the participants. Sr. Matute expressed concern over the Charter's apparent requirement of a ten-year planning period; he stated that his preference was for medium-term, five- or six-year, country programs. Sr. Sol explained that while the Charter of Punta del Este pointed to ten-year goals in fields such as education and health, the actual mechanics of planning would be left to the individual countries. Each country is free to prepare its long-range plans for the number of years it considers most convenient. There was unanimity on this point.

6. Two-Year Programs as a Training Period for the Long-Run. Concluding the discussion on the subject of the integration of short-term and long-term plans, Sr. Sol emphasized that the two-year period would be used to best advantage if it laid solid foundations for planning work in depth in later years. In this respect, he pointed out, effective planning could not be done by planning experts working in isolation. There is a crucial need for pre-investment studies in fields like aerial photography and soil analysis. Expenditures related to such pre-investment work should be an important component of public capital outlay in

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the next two years. Several sources of financing pre-investment studies are already available, notably the United Nations Special Fund, the Inter-American Development Bank, and, on occasions, the U.S. Government. It is up to the Latin American countries to take the initiative in making better use of these funds, which has not been done in the past.

Sr. Sol also pointed out that the training of personnel, notably statisticians, necessary to the implementation of long-range development plans, is another area where massive effort will be required in the next two years. There seemed to be general agreement on these points.

## II. Planning Agencies and Their Relation to the Rest of the Administration

The proper function of a national planning organization and its relation to the rest of the administration was the next topic for discussion. Sr. Diaz analyzed the Chilean experience with the Corporación de Fomento (CORFO), an autonomous agency operating below the ministerial level. This arrangement has the advantage of removing the planning body from the political arena, thus giving its management and personnel greater stability. However, the planning agency has found it difficult to enlist the cooperation of all sectors; contrary to expectation, cooperation with the private sector is at times easier to obtain than that of some of the government agencies. <sup>1/</sup> In this connection, Sr. Campos pointed to the difficulty of coordinating the planning work of state and federal agencies.

The meeting did not develop a consensus on the proper place of a planning agency and its relation to other organs of government.

## III. Technical Assistance in the Formulation of Short-Term Programs

1. Coordination of Assistance. The problem of coordinating technical assistance efforts was discussed, with broad agreement that coordination was still imperfect, and that duplication remained a problem. It was suggested that countries could improve their coordinating mechanism by centralizing their requests for assistance, following, for example, the pattern set by Chile, where such requests are centralized in CORFO. There was agreement that the Tripartite Committee is already effective in coordinating the processing of technical assistance requests sent to the three inter-American agencies.

2. Quantity and Kind of Assistance. Participants disagreed on whether the amount of technical assistance received by their countries

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<sup>1/</sup> See appendix.

at present was generally sufficient. Sr. Samudio felt his country was experiencing delays in getting the technical assistance it needed. In contrast, Sr. Díaz felt that the problem was more one of absorbing fully the technical assistance already received. Chile, for example, was already receiving more technical assistance than it could usefully absorb, except perhaps for engineering advice in specific fields. Sr. Salgado observed that his country no longer had any pressing need for general programming experts, but it needed specialists in agriculture; these experts would be required mostly for periods of no more than six months. Sr. Prebisch noted, however, that general programming experts were still needed on a large scale in Latin America. They were in scarce supply, which made it difficult to provide individual countries with resident experts in this field; this makes it necessary in many cases to put technical assistance personnel at the disposal of several neighboring countries simultaneously.

The consensus seemed to be that, while a majority of countries still needed general programming assistance, future needs would concentrate increasingly in very specialized, technical fields.

3. The Relationship Between Foreign Expert and Host Country. A good relationship between foreign expert and host country was thought to be highly important. There was a consensus that the expert's role is to assist the host country in drawing up projects or programs; the expert is not to draw projects or programs of his own. Sr. Sol agreed readily that the experts were at the service of the host country. However, he pointed out that the sponsoring agency wanted to be sure that the official reports of its experts would not contain anything offensive to host governments, or recommendations incompatible with the agency's commitments; this would require some form of supervision.

4. The Rural Sector: An Area of Dire Need. Concluding the discussion on technical assistance needs, Sr. Sol pointed to land reform, community development, and more generally, the rural sector as areas of particularly grave deficiencies. Mexico is the only Latin American country with long-range experience in this field, and its experience should be valuable to other countries. Lessons could also be learned from the experience of Southern Italy, Israel and Japan; Sr. Salgado agreed with Sr. Sol that direct observation of these four countries' experiences would be very valuable for high-level personnel. At lower technical levels, such as that of land appraisers, some thought might be given to the advisability of organizing courses in Latin America to create a nucleus of skilled personnel. There appeared to be broad agreement with these comments.

#### IV. Regional Planning and the Enlisting of Public Support

The problems of regional planning, and of enlisting public opinion support for a country's plan were found to be closely related. Sr. Díaz

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indicated that taking the plan to the provinces is a particularly effective way of demonstrating what tangible benefits the local communities would derive from a particular program or project; this approach has proved of great assistance in helping to build grass roots support for the plan. In Chile, provincial committees have been formed with public and private sector representation; they have a voice in the elaboration and the execution of the plan. These committees have been found to be a powerful tool of educating important sectors of the population in the advantages of planning. In Colombia, Sr. Herrera pointed out, the knowledgeable interest of local businessmen and economists often has been instrumental in inducing the central planning group to sharpen up its analytical tools.

The consensus appeared to be that drawing in representative experts of the community to help formulate the plan is a useful method of enlisting the cooperation of the country at the execution stage.

### Conclusions

The participants at the Round Table reached unanimous agreement on three important points:

1. A two-year investment budget is a useful tool for making planning operational in the short run; the investment budget should, however, be supplemented by "framework planning" and incentive policies designed to stimulate private sector activities.

2. In addition to reviewing short-term plans and investment budgets, the Ad hoc Committees of the Panel of Experts may be consulted by Latin American countries in the preliminary steps of preparing their short-term plans or investment budgets.

3. Short-term plans should be related to the long-range objectives of the economy. Therefore, an important task for the two-year period will be the strengthening of administrative cadres and the improvement of the statistical basis needed for effective long-range planning.

APPENDIX

Summary of Sr. Díaz's Remarks on Chile's Experience with an Autonomous Planning Agency 1/

Sr. Díaz analyzed the experience of Chile with the Corporación de Fomento (CORFO), a technical, autonomous planning agency operating below the ministerial level. This arrangement is different from that, more common in Latin America, where the planning council has its offices located in the Presidency.

The experience with CORFO has covered a period of twenty-two years, and the major advantages and disadvantages of the autonomous-agency approach in Chile have by now become quite clear. The principal advantage has been to keep CORFO completely outside of politics, thus permitting its management and personnel to work under conditions of freedom of research and stability of tenure. The weakness of the autonomous-agency approach has been that it has made it more difficult to enlist the cooperation of all sectors for the preparation of the plan. The private sector has by and large proved cooperative, but some of the government agencies have shown themselves reluctant to give assistance.

A new committee was created a few months ago, partly to ensure better inter-agency cooperation, but principally to supervise the execution of the plan. This "Comisión de Planificación de la Economía y de Reconstrucción" (COPEME) operates at the ministerial level. Its principal functions are approval of the plan and supervision of its execution. CORFO is the secretariat of the committee, continuing to be entrusted with the preparation of the plan and its detailed execution.

The regional aspects of the plan have also been given increasing attention in recent years. Provincial committees have been formed to enlist grass roots support of the plan. COPEME has been entrusted with the coordination of provincial activities, while CORFO is acting as the technical secretariat of the provincial committees. The provincial committees are composed of representatives of public and private sectors, including labor and managements groups. They play a very useful role in enlisting the support of public opinion; they also play a part in supervising the execution of the programs in their respective provinces.

Chilean public opinion has given good backing to the planning effort. This has been due in part to CORFO's particularly rapid and accurate assessment of the economic consequences of the earthquake of May 1960. Since that time, the provincial committees have done much to keep alive the interest of all sectors of the population in the planning effort and in its successful execution.

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1/ This summary of the Chilean experience is presented separately because it highlights certain administrative aspects of planning that may be of interest to the members of the Round Table. (See Section II above).

