

**ECONOMIC COMMISSION FOR LATIN AMERICA
AND THE CARIBBEAN (ECLAC)**

**BIENNIAL REPORT
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552(XXVI) STRENGTHENING SUSTAINABLE DEVELOPMENT IN
LATIN AMERICA AND THE CARIBBEAN

The Economic Commission for Latin America and the Caribbean,

Recalling its resolution 533(XXV), adopted by the Commission at its twenty-fifth session, in which the secretariat is requested to give priority, in its analysis of the readaptation of public policies, to an integrated strategy for promoting competitiveness; to the interrelationship between macroeconomic factors, actions aimed at perfecting markets and microeconomic stimuli in the promotion of competitiveness; and to economic policy instruments that foster growth and macroeconomic stability,

Taking into account and recognizing the political will the Governments of the region have shown in undertaking structural reforms that reorient development on new bases, which, despite significant differences between national situations and stages of development, all have in common fiscal discipline, trade liberalization and financial deregulation, utilization of market mechanisms, greater reliance on private investment and new incentives and regulatory frameworks,

Bearing in mind that all the countries of the region, to one degree or another, have made significant progress in price stabilization and to a lesser extent in economic growth, thanks to these structural reforms and to better macroeconomic management, together with a substantial influx of external capital,

Recognizing at the same time that most of the region's economies have been recording growth rates lower than in the past and unsatisfactory from the dual perspective of technical progress and the need to create jobs, eradicate extreme poverty and reduce social inequalities,

Recognizing further that the structural heterogeneity of the region's productive systems has accentuated, as productivity differences have tended to widen between the large enterprises in the forefront of the modernization process and the large and varied host of firms that are lagging behind,

Concerned about the vulnerability to external factors that often characterizes macroeconomic performance in countries in the region and about the serious consequences for stability, growth and equity of episodes like those that occurred in some countries of the region in 1995,

Recalling the declarations and programmes of action adopted at recent United Nations global conferences on the environment, human rights, population, social development and women,

Taking into consideration the importance of macroeconomic stability and the need for it to be lasting and consistent with policies for promoting saving, investment, technological development and international competitiveness, all of which are essential in order to make maximum use of productive resources and insure their sustained expansion,

1. Welcomes the document prepared by the ECLAC secretariat entitled "Strengthening development. The interplay of macro- and microeconomics" and considers it a meaningful frame of reference for an assessment of the process of economic transformation over the last fifteen years and for developing suggestions for Governments on how to strengthen development;

2. Stresses in particular the contribution the document makes to the design of future public policies favourable to development, in that it calls attention to the need to integrate macroeconomic variables, institutions and regulatory frameworks with the functioning of factor markets and microeconomic behaviour;

3. Takes note of the document prepared by the ECLAC secretariat entitled "The economic experience of the last fifteen years. Latin America and the Caribbean, 1980-1995", which provides a summary of the empirical data on which an assessment of the economic transformation process can be based;

4. Affirms that in order to generate sufficient employment, eradicate poverty and improve social equity, it is necessary, inter alia, to accelerate growth, which will require, in addition to macroeconomic stability, drawing closer to the international technological frontier, disseminating technical progress over a wide range of activities, increasing investment in human and physical capital and perfecting factor markets;

5. Points out that the unfavourable social panorama, which makes it difficult to sustain the development process, requires an integrated set of economic and social public policies that promote economic development, social development, and environmental protection;

6. Stresses that achieving rates of saving and investment that will ensure strong, sustained growth will require, in addition to a stable macroeconomic context, an effective financial development policy;

7. Stresses further that, in order to achieve steady increases in productivity, there is a need to complement macroeconomic policy with productive development and human resource training policies directed towards facilitating the promotion, generation and dissemination of technology through a combination of measures designed to foster development and improve domestic systems of innovation, beginning with measures aimed at improving the quality and coverage of mandatory basic education, followed by others directed towards, inter alia, supporting information networks, strengthening mechanisms of business cooperation, protecting intellectual property, promoting research centres and technology extension services, adopting international norms and standards of quality and encouraging vocational training and education;

8. Reaffirms the importance of supporting productive modernization processes in small and medium-sized enterprises by improving their access to financing and technical cooperation, to technological and trade opportunities and to training;

9. Stresses that for productive development it is essential to promote competition by deregulating competitive markets, eliminating artificial barriers to the entry of competitors, and by duly regulating markets dominated by natural monopolies;

10. Calls attention to the flow of private financing into some countries of the region, despite temporary economic fluctuations, and reaffirms the need for policies that are instrumental in directing it towards productive development opportunities;

11. Points out that realizing such opportunities requires not only adopting consistent macroeconomic policies that reduce financial vulnerability to external factors, but also encouraging long-term capital

flows, promoting foreign direct investment, employing innovative methods and learning from the region's experiences with privatization, joint ventures, licensing and capitalization;

12. Recognizes and values the essential contribution of the integration processes currently in progress as effective means of fostering economic and social development and of promoting and improving the region's competitive linkages with the international economy;

13. Asks the secretariat to disseminate the contents of the document entitled "Strengthening development. The interplay of macro- and microeconomics" more widely by promoting discussion of its themes in political, business, labour and academic circles and among the general public, in order to encourage the generation of consensus on the task of strengthening sustainable economic development with greater social and gender equity;

14. Urges the secretariat in its further work on the topics listed in the paragraph below to pay particular attention to the special situation and needs of the smaller economies of the region;

15. Further asks the secretariat, within the framework of the work programme, to deepen its analysis of the following topics:

- a) The conceptual frameworks that shape development in the region, with special emphasis on the interactions between macroeconomics, institutions and microeconomics;
- b) The design of economic policies that minimize macroeconomic instability while maximizing the impetus to investment, saving, technical progress and international competitiveness;
- c) The conditions of macroeconomic stability and opportunities for productive development in countries of different sizes or in different stages of development, and the possibilities for cooperation in the development of the smaller economies of the region;
- d) Fiscal reforms that will tend to strengthen the structural stability of public finances, increase incentives to saving and investment and improve social equity;
- e) An analysis of reforms which, through their impact on the financial environment, will increase national savings and channel them towards productive investment, including reforms of the social security system, prudential and organizational regulation and supervision of the banking system, and reforms aimed at developing and deepening the securities and insurance markets;
- f) Intermediation of long-term financing in support of productive development through development banks and other forms of financial deepening, and the promotion of access to adequate financing for all types of firms and investment projects;
- g) Analysis and case studies regarding appropriate incentives and policies for promoting innovation and disseminating environmentally sustainable technical progress throughout all segments of the productive system, including the evaluation of promotional instruments;

- h) The productive development potential inherent in key natural resources, common technological bases or progressive steps to higher levels on export chains, and the feasibility of undertaking sectoral or regional strategic actions in these areas;
- i) The role of infrastructure investment and new modes of private participation in such investment in encouraging real investment and developing regional or sectoral clusters of productive activities;
- j) The usefulness of concerted action schemes as institutional mechanisms that encourage coordination between the public and private spheres and between private agents, by reducing coordination costs, improving access to information and facilitating the updating of productive development tools;
- k) Investment in human resources through forms of education and training that enhance the process of modernizing production and facilitate the incorporation of all levels of the workforce —both men and women— into the process;
- l) Opportunities for intraregional cooperation in the fields of education, science and technology, with special attention to regional experiences in incorporating advanced technology;
- m) The impact of structural reforms on the labour market, and the adoption of hiring and insurance practices that promote at one and the same time labour mobility, training and income stability;
- n) Assessing the quality of social investment and the efficacy of social policy instruments, with emphasis on their linkages with growth;
- o) The links between economic policy, environmental sustainability of growth and social equity;
- p) Regional integration agreements in their various forms (free trade agreements, customs unions, common markets and the like) as mechanisms for expanding trade, forming closer productive linkages and achieving economies of scale;
- q) The public policy reforms needed effectively to meet the institutional and public administration requirements generated by economic changes, the increasingly complex conditions of international competition and the growing demand for economic and social development that does not exclude and is environmentally sustainable;
- r) The impact of the debt burden on the formulation and implementation of sustainable development policies.