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Twelfth Session

Committee I
(Development Planning)

PROVISIONAL SUMMARY RECORD OF THE FIRST MEETING

Held at Caracas, Venezuela,
on Friday, 5 May 1967, at 10.30 a.m.

CONTENTS:

Chairman: Mr. PARDO (Bolivia)

Rapporteur: Mr. GONZALEZ CAMPO (Guatemala)

PLANNING PROBLEMS IN LATIN AMERICA (E/CN.12/772 and Information Document N° 1)

The CHAIRMAN reminded the members that the Committee's main purpose was to review planning problems and compare the experience of the Latin American countries. He invited them to make the discussion as comprehensive and informal as possible.

Mr. VUSKOVIC (Secretariat) explained that the secretariat, in making planning one of the most important subjects of the twelfth session, has been guided by the fact that significant progress had been achieved in that field. Planning had proved a useful instrument in defining and implementing a development policy in a number of countries, and a varied fund of experience had been accumulated on the subject. However, problems and obstacles had arisen and had become more acute at the implementation stage. Although it was easier to discuss obstacles and limitations, it was important to indicate the progress achieved, because discouragement was setting in, and if it spread, it would adversely affect the action which must be pressed forward.

Planning problems might be approached from two points of view: either by focusing attention on a number of specific questions such as the shortage of technical personnel, gaps in the supply of statistical information and the lack of projects, or by analysing the question against the background of Latin America's substantive development problems. The second approach would seem to be best; in applying it, a distinction should be made between the limitations inherent in planning and those which were exogenous to plan implementation.

Although the situation varied from country to country, one of the basic flaws in the first approach was that attention was centred on methodological factors rather than on fundamental development policy issues. The absence of a definition of long-term national development strategy was now complicated by the difficulty of relating national planning to integration goals.

The need to establish that relationship had magnified other obstacles such as the lack of contact between planners and political authorities. The point had been emphasized by the United Nations Committee for Development Planning. Without adequate support from the national authorities, planning machinery had been superimposed on the existing administrative structure, which had not been fully adapted to the requirements of a planned development policy.

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Other sssential features, which followed to some extent those already mentioned, were that planning systems had not been completed and, in particular, annual operational plans had not been systematically prepared with due regard for long-term objectives; general plans and investment decisions had not been co-ordinated in substantive and operational terms with the conduct of short-term economic policy; the functions and machinery for periodic evaluation of the progress of plan implementation had not been fully established; and the mechanisms for supplying basic information (including the systems of statistics) and natural resources surveys had not been brought into line with planning needs.

The limitations exogenous to planning included uncertainty with regard to external trade and financing. No appraisal of plan implementation could disregard the effects of the extreme fluctuations in export earnings. External financing was equally important for sucessful planning. Although the incentive for planning was sometimes to have an instrument that would increase and facilitate external aid, as stated in previous discussions, neither the net contribution of external aid nor the terms on which it was granted had developed in such a way as to provide continuing support for national planning efforts. That was why the Committee for Development Planning had made broad recommendations concerning external technical and financial co-operation. It had recommended not only the transfer of experience, the provision of useful data and manpower training, but also the need for more frequent use of global financing of plans, the granting of sufficient compensatory or supplementary credit and the improvement of average terms of external public financing (maturity dates, interest rates and the elimination of certain restrictions).

The foregoing considerations suggested a number of questions which might guide the Committee in its deliberations. To what extent had planning helped to clarify development policy and influence the decisions of national policy makers? Which factors had helped and which had impeded that function? How much weight had planning machinery acquired in the national administration as a whole? What had been the attitude of the central planning offices toward the rest of the administration, what resistance had they encountered and what methods had been used in overcoming it? What progress had been made in

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introducing annual operational plans which were consistent with the longer-term approach? To what extent had planning influenced the conduct of short-term economic policy? What steps were being taken and what obstacles were hampering the completion of planning systems and the adaptation of administrative structures and information and research machinery?

Mr. HURTADO (Venezuela) underscored the weakness of the planning process in Latin America, as pointed out in ECLA document E/CN.12/772. That weakness might well be due to the fact that in plan formulation priority had been given to obtaining external assistance rather than to institutionalizing planning within the administrative structure.

Venezuela had introduced planning in economic situations and circumstantial policies which had been duly turned to account. In 1957 petroleum production had reached its peak, but had shown signs of a recession the following year. In 1958, a long period of dictatorship had been brought to an end. Those developments brought into focus the economic and social weaknesses in Venezuela which had not been evident because of the apparent prosperity created by petroleum, such as the backward state of agriculture, the under-development of industry, unemployment and disguised unemployment and the faulty distribution of investment in the various regions of the country. That same year social groups had been organized to form new political parties and stronger trade union movements. In response to the pressure of public opinion for a development strategy and a coherent definition of national objectives, the national planning corporation (CORDIPLAN) had been established at the highest level of the administration, just before the adoption of the Charter of Punta del Este.

CORDIPLAN's first action was to prepare the 1959/60 Budget, which provided for the various sectors' needs. The main difficulty was to reconcile over-ambitious partial objectives with available resources, which had necessitated their re-allocation in accordance with certain priorities and with a view to ensuring fuller employment. A group of projects was selected for inclusion in a special budget to be financed by extra-budgetary funds. Thus the idea

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that there should be central machinery for co-ordinating the use of public funds began to gain ground in the government administration, aided by the fact that all technical expert units had been disbanded under the dictatorship. Ministerial committees, which advised CORDIPLAN, were set up to ensure co-ordination within the administration. The technical assistance provided by international organizations and certain Governments was also centralized. Decisions on financial co-operation were taken by the Cabinet on the basis of a report from the central planning agency. Within that framework, planning emerged as an instrument closely associated with government decisions and not as a mere academic exercise.

In the course of that process the need to enlist the participation of the rural and working masses and to replace the existing paternalism by co-operation was realized. Through the community development system, both the existing and induced needs of those population groups were taken into account in planning.

In its relations with the other branches of the public administration, CORDIPLAN showed flexibility by delegating responsibility when other bodies proved themselves capable of assuming it, thus releasing resources for new priority areas.

The first attempt despite its inevitable weaknesses was a public investment plan covering the period 1960-64, and the first national economic budget was drawn up in 1962, that is before the first general plan in 1966. Although the "rolling plans" system (1963-1966, 1965-1968) had been used in Venezuela thus far, work was now proceeding on a five-year plan.

The problems which had to be faced in planning included the lack of technical staff. The training of such staff had been undertaken by CENDES and the Agrarian Reform Training Centre, and the courses were being given by ILPES, IDB, IBRD, and the French Government. Planning also had to cope with the lack of a proper statistical basis, unsatisfactory relations with the private sector - an effort to institutionalize those relations had begun in 1962 with the establishment of an advisory service - and the need to decentralize and to work out a system development by region in order to meet the needs of the provinces.

/The problem

The problem of the relationship between short- and long-term planning had not arisen in CORDIPLAN's work; actually short-term action was taken in order to provide immediate solutions to day-to-day problems. That was a weakness in the system and some thought would have to be given to incorporating plans in a more clearly defined overall strategy. Moreover, there was little supervision of plan implementation during the year and even where it was being controlled each year, it should be done at least every six months in the case of the public sector. National development would have to be related to the process of integration, even targets could not be fixed, since future prospects depended on the progress of a group of countries.

In short, despite those weaknesses, Venezuela had succeeded in establishing a planning system which had the backing of the Executive, was meeting no resistance from the executing agencies and enjoyed the support of various segments of society.

Mr. VUSKOVIC (Secretariat) asked whether the planning machinery based on immediate requirements had been developed without regard for the long-term prospects, or whether CORDIPLAN, in exploiting existing possibilities, had taken a long-term development strategy into account without going so far as to express it in terms of a quantified model.

Mr. HURTADO (Venezuela) explained that overall strategy had been borne in mind in preparing the plan. It took into account the major weaknesses of the economy, such as its dependence on a single product or a single export, the position of agriculture, the level of industrial development and the shortage of skilled labour. It recognized the need for intensifying efforts in the rural sector by giving greater impetus to agrarian reform. Although all that did not provide a comprehensive and coherent framework, it did provide a frame of reference. That was what Mr. Mayobre had meant when he said that the strategy was reflected in the plan, even if not specifically stated in a document.

/Mr. ZAMORA

Mr. ZAMORA (Mexico) considered it significant that Venezuela had not tried to import plans which might have been successful in countries with different characteristics. He requested more detailed information on relations with private enterprise and inquired whether there was any kind of interchange between the planning agency and the workers which would ensure that their needs were taken into account when the plan was being prepared.

Mr. HURTADO (Venezuela) said that contact was maintained with urban and rural communities and that workers' and farmers' groups were represented on a Planning Office board. The productive sectors also had their machinery sui generis and as private enterprise and agricultural workers' federations in their operation, as they did in the operations of the State agricultural credit agencies. The solution of problems was negotiated in those forums. Moreover there had to be a representative of labour in every autonomous institute and public enterprise.

Mr. M. MARTINEZ (Honduras) inquired how the "rolling plan" worked and what had been Venezuela's experience in its application, how relations were maintained between sectoral offices and the central planning office and how autonomous offices operated at the decision-making level.

With regard to community development, a humanitarian and paternalistic bias might not be consistent with official planning policy. That was one of the problems confronting Honduras and he would therefore be interested to hear whether any regional policy had been formulated to bring the community development approach into line with the national planning system.

Mr. HURTADO (Venezuela) replied that the plan covered, a five-year period. At the end of the first two years, the results were evaluated and the plan revised and extended to cover a further two years. But as the results obtained under that system had not proved to be worth the effort involved, the system was to be altered: the full five-year programme was to be maintained, subject to revision, but without formulation of a new plan. The "rolling plan" was necessary in the early stages, in order to keep the planning teams constantly on the alert, but later the tension could be gradually relaxed.

The sectoral planning units were dependencies of the competent Ministries, not of the central planning office which had a special unit to maintain liaison and help the sectoral units to prepare their respective programmes. Moreover,

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as decision-making was linked to the budget and decisions had to be taken jointly with the Ministry of Finance, there was a chance to rectify inconsistencies between the policy of a public agency and the general guidelines established and discussed by the central planning office.

With regard to community development, efforts were being made to promote a change of attitude, and communities were expected to make an effort commensurate with that made by the State. Another objective was the more efficient channelling of investment in the provinces and municipalities; better local co-ordination had already been secured through the promotion of agricultural co-operatives.

Mr. ULLOA (Ecuador) explained that in his country the main obstacle to planning had not been the lack of technical experts but the unreceptive attitude of the policy-makers. He suggested that one way of obviating that difficulty would be to give the planning agency the status of a Ministry. Such a measure - on which he would like to hear the opinion of other delegations - was all the more important at a time when the region was striving for economic integration. Progress would have to be made not only in planning at the national level but in the much more difficult task of reconciling plans in the broader context of the region as a whole.

Mr. TOUSSAINT (France) expressed gratification, as the representative of one of the few industrialized countries with market economies that had made consistent use of planning ever since the end of the Second World War, at the interest in planning shown at ECLA's twelfth session. The fact that ECLA had blazed the trail in that direction, starting in the days when the very word "planning" had been suspect, exemplified the Commission's faithful adherence to its traditions. The establishment of the Latin American Institute for Economic and Social Planning in 1962 represented the successful culmination of its work.

The study presented by ECLA (E/CN.12/772) was excellent and extremely timely since planning was passing through a critical phase, not only in Latin America but in all the countries whose original enthusiasm for the system had given way to disappointment at the mediocre results yielded by the initial experiments.

/He agreed

He agreed that planning was not merely a technique but an instrument of government, whose function was to bind into a consistent whole the various components of an economic policy designed to facilitate to-day's decision-making by a glimpse of to-morrow. He also thought the document was right in deploring the tendency to shelve overall planning in favour of the study of specific projects, for however good the latter might be, they could not provide a basis for establishing an order of priorities, or formulating fiscal, price, income, or foreign trade policies.

France had been providing Latin America with technical assistance for planning and would continue to do so. It was his Government's desire to arrange more and more exchanges of various types between the French planning agencies and their Latin American counterparts. But that did not imply that the countries of the region could accept external co-operation without many precautions, since the formulation of a plan was an act of government and could not be delegated to a foreign expert, however eminent. Foreign experts could play only a marginal role; they could not take the place of those essential requisities for planning, namely political backing, popular participation and the overhauling of the administrative machinery.

Mr. MENDEZ (Colombia) said that there was an unexpected mixture of encouraging and discouraging aspects in planning. When the situation was compared with conditions twelve years earlier, the progress achieved was striking, for the principle of planning had gained ground and planning offices existed in almost all the Latin American countries. But an adjustment of the frame of reference for the comparison to five years ago, showed a loss of ground for the role of planning had lost some of the importance given it in the Charter of Punta del Este. The time had therefore come to review the position and strengthen the planning effort.

In Colombia, the planning process had made a vigorous start, with the support of one of the most efficient advisory groups that had worked in Latin America, but it had lost its original momentum as a result of changes of government.

/He could

He could not endorse the suggestion of the representative of Ecuador that the planning office should be elevated to the status of a special Ministry, for such a measure might increase the risk of loss of continuity in the event of a change of government.

In his view, there were six major problems to consider in respect of planning. Firstly, it was hard to decide who should formulate the bases or objectives of the plan, for although that was a responsibility logically incumbent upon the policy-makers, their knowledge of the situation was often fragmentary. Secondly, plans often failed to interpret current events correctly, and an over-optimistic projection might sometimes have harmful effects. Thirdly, it was essential to discover how plans could be made operative, i.e., how to establish physical objectives. Fourthly, it was difficult to reconcile the need for structural reforms with the construction of models based on past trends. Fifthly, external aid should be programmed in relation to the development plan. In that connexion, there were three types of gaps that occurred in succession in developing economies: scarcity of skilled personnel, inadequate savings, and trade deficits; and they should be borne in mind. In the past, distortions had occurred because, instead of presenting projects that would help them to fill those gaps countries had tried to submit "show" projects which had the best chance of being approved by the financing agencies. And, sixthly, ways and means would have to be worked out for co-ordinating national plans within the integration process. Much of that responsibility would have to be borne by the Latin American Institute for Economic and Social Planning.

Mr. ZAMORA (Mexico) asked the representative of France how national planning had been reconciled with membership of the Common Market.

Mr. LE GUAY (France) explained that four of the States members of the Common Market were currently using planning as a technique of public administration, but that from 1958 to 1962 France had been the only one to do so. At that time France had considered Common Market prospects as exogenous variables in relation to its plans. Since then, however, planning had spread to the other countries. A committee had recently been set up in Brussels to discuss the policy of the States members of the Common Market, which was, in effect, a first step towards multinational planning.

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In many respects, the procedures of the European Community could not be transplanted to Latin America. Automatic trade policy mechanisms were by no means equally likely to work well in Latin America, where there were many reasons to suppose that the characteristics of "planned integration" would prevail.

The meeting rose at 1 p.m.