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PROVISIONAL SUMMARY RECORD OF THE THIRD MEETING
Held at Caracas, Venezuela
on Monday, 8 May 1967, at 10.30 a.m.

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Planning problems in Latin America (continued)

Chairman: Mr. PARDO (Bolivia)
Rapporteur: Mr. MENDEZ (Colombia)

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PLANNING PROBLEMS IN LATIN AMERICA (continued)

The CHAIRMAN considered that the views expressed in the course of the discussion confirmed the theories formulated in ECLA document E/CN.12/772 and in the provisional report of the United Nations Committee for Development Planning.

The problems of implementing national plans and of co-ordinating them in the context of economic integration were interrelated, since the periodic discussion of national plans with a view to co-ordinating them at the regional level and avoiding obstacles to integration would no doubt strengthen national planning as the most effective method of making an objective analysis of the contribution each country could make to integration. Consolidation of the planning process would, in turn, establish better technical bases for promoting integration.

It was generally agreed that the substantive flaws in planning should not be sought not only in the so-called "operational machinery", but rather in the combination of economic, social and political conditions and in the lack of maturity in conducting the planning process. Planning methods should accordingly be improved and planning systems completed, and the limitations of planning other than those of a methodological nature should be analysed.

Mr. RAMIREZ RUSSO (Paraguay) explained that the Technical Planning Office had been established in Paraguay in 1962, as an organ directly responsible to the Executive. It had a voice in the Economic Co-ordination Council, the top-level economic decision-making body, which was composed of representatives of ministries, State banks and the Legislature.

In its initial stages, the Office had received advisory assistance from the OAS/IDB/ECLA Ad Hoc Committee on Co-ordination and the technical co-operation of the Latin American Institute for Economic and Social Planning. Without the assistance of those two agencies it would have been extremely difficult to launch the planning system.

The main limitations encountered in Paraguay were much the same as those described in document E/CN.12/772: shortage of trained personnel, gaps in basic statistical data, lack of projects, not enough co-ordination

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among the various public institutions and the difficulty inherent in superimposing a planning system on the old administrative structure.

The number of trained personnel had increased with the aid of the planning courses given by the Institute and other international institutions, and the activities of the National University. The task of preparing two biennial plans and the opportunity of working with outside technical experts had enabled the Planning Office to train its own personnel. All statistics had been co-ordinated with the establishment of the National Statistical Institute, which was equipped with up-to-date machines. The National Development Bank had set up a technical office which was to prepare feasibility studies and projects with the help of the Inter-American Development Bank (IDB).

The Technical Planning Office had prepared two biennial plans for 1965/66 and 1967/68. The first was actually no more than a statement of overall objectives, regional strategy and approach, and development policy, and it had many operational defects. The second plan was much more specific; while retaining the same overall approach as to aims, strategy and policy, it laid down concrete production, export and investment targets. Those plans would be completed by the preparation of commodity programmes and medium-term and annual operational plans.

Mr. MENDEZ (Colombia) regretted that the statement by the representative of Cuba at the previous meeting (E/CN.12/AC.59/SR.2) had been couched in dialectic rather than in technical terms, because it would have been most interesting to compare methodologies. Some of the Cuban representative's statements were not well-founded. Although the socialist countries had certainly made the most systematic use of planning, the contribution made by others could not be disregarded. He also questioned the assertion that planning could not be a useful instrument unless accompanied by a revolutionary process. No doubt planning was easier when made mandatory by a central authority, but it was also easier to make mistakes, as had actually happened in the early years of planning in Cuba when undue emphasis on industrial development had almost destroyed Cuba's agriculture, and had probably been responsible for the decline in the national product. Venezuela provided a

/good example

good example of what could be done with planning as an instrument for increasing the national product, redistributing income and changing the structures of production, even though in the ten years it had been engaged in systematic planning, it had not sought external assistance, nor had its petroleum exports expanded spectacularly.

Mr. MARTINEZ CASTRO (Honduras), speaking on behalf of the delegations of Central America, thanked the Institute and ECLA for their assistance in planning. The initial programmes covered the period 1965-69. In some cases, advantage had been taken of favourable circumstances to gain acceptance for them. In Central America, the formation of the Common Market had made it possible to define and apply uniform measures governing customs tariffs, industrial development, monetary and financial policy and commodity prices. They would have to be supplemented by the establishment of common trade policy principles, the regulation of regional public services, customs and tax legislation, the formation of capital markets, etc. The Governments started regional infrastructure programmes, first to build and improve highways, and would later extend them to cover telecommunications, ports, electrification and water resources. Moreover, the fact that during the post-war period growth had been too dependent on external market fluctuations had led the Governments to formulate a non-traditional policy encouraging new productive activities, with the result that public-sector activities had been expanded and credit and development institutions had been set up. All these measures had favoured the establishment of planning systems, by creating the right conditions for the methodical analysis and rational solution of economic problems, and for the definition of policies common to all the countries of the area. The Governments had decided to carry out the economic "renewal" by means of national plans, co-ordinated in certain respects at the regional level, and at the end of 1966 the Joint Programming Mission for Central America had been established to provide technical advisory assistance on planning. Subsequently, it had been decided to institutionalize the Joint Mission as a permanent agency of the Secretariat of the General Treaty on Central American Integration (SIECA), in order to

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ensure continuity for regional assistance programmes, and steps had recently been taken to bring together groups of technical experts from each country through meetings of planning and budget Directors for the purpose of discussing and co-ordinating their respective activities. At the regional level, general policy and specific machinery had been laid down in relation, for example, to energy, highways, agriculture and education. In some fields planning had not yet begun. Moreover, the basic principles of planning had not been adapted rapidly enough to the policy problems with which the Governments had to deal. There was growing time-lag in embodying new principles in development plans, respecting, for example, the advantages of the common market, industrialization, agriculture, etc., with due regard to the problems of employment, income distribution and assimilation of technology. It was essential to step up measures for making programming an integral part of daily government administration, if economic development was to be successfully rationalized.

Mr. PARRY (Argentina), on behalf of his own delegation and those of Costa Rica, Guatemala, Honduras, Nicaragua and Peru, submitted a draft resolution on planning and development (Conference Room Paper No. 1).

Mr. SETTE (Brazil) explained that planning in Brazil had begun in 1948 with the formulation of sectoral plans, but the first attempt at an integrated plan for the economy as a whole was of recent date. A ten-year plan had just been prepared by the Ministry of Planning. It was drawn upon flexible lines, and was based on projections of supply and demand in each of the major economic sectors. In the light of those sectoral studies, overall monetary, credit, tax, investment and exchange policies had been established. The ten-year plan was broken down by five-year plans, which incorporated much more detailed projections, subject to annual revision. There were also annual plans which more specifically reflected the objectives and instruments of short-term economic policy.

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A large-scale regional plan had also been launched with the aim of establishing in other parts of the country institutions similar to the successful SUDENE, whose work had enabled the Nordeste area to develop much faster than the economy as a whole in recent years.

Generally speaking, he endorsed the main conclusions presented in document E/CN.12/772. With regard to the need to co-ordinate national programming with regional machinery, Brazil hoped that the meeting of Directors of Planning Offices to be held under the auspices of ALALC in three months' time would yield very useful results. In the context of external financing policy, the incidence of debt service on Latin America's balance of payments was likewise a matter of concern to IBRD, which said that no satisfactory way of solving the problem had yet been devised.

Brazil's ten-year plan envisaged new and relatively heavy balance-of-payments deficits which would have to be covered by external financing.

Some of the ECLA studies on the external trade gap submitted to the twelfth session, in discussing the expansion of Brazil's exports, considered only its contribution to the overall balance of supply and demand. The vitally important catalytic effect on the future development of the economy should also be taken into account. The figures presented in document E/CN.12/772 on Latin America's external public referred to 1964, whereas there had been qualitative and quantitative changes as a result of the renegotiation of the debt by certain countries.

Mr. AGUIRRE (Chile) said that his country's planning efforts had begun in 1939 with the establishment of CORFO. CORFO had been set up in response to the need to carry out certain strategic projects which would be consolidated by subsequent development. Its activities had already resulted in the electrification programme, the establishment of the iron and steel industry, the expansion of the petroleum industry and, more recently, in a forestry and pulp and paper plan, a fisheries plan, the development of the beet sugar industry and the new petrochemical industries.

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After a new Government took office in 1964, the National Planning Office (ODEPLAN) was set up, under the direct control of the Executive, as the organ responsible for basic planning policy. Previous planning measures had already produced an increase in the economic growth rate from an average of 3.6 per cent per annum in 1945-1964 to 7 per cent in the most recent two-year period. ODEPLAN's activities were governed by the general principles of government policy. Major achievements of planning included progress in education, community organization, agrarian reform, redistribution of income, housing planning, administrative rationalization and constitutional reforms affecting land ownership which would make it possible to enforce the Agrarian Reform Act. CORFO, which was responsible for the industrial sectoral plan, attached great importance to the essential contribution each project should make within the Latin American area and was prepared to revise projects with a view to incorporating them in regional and sub-regional complementarity plans.

Two features of Chile's experience showed the need for better methodology: (a) the procedure for making allowance for the effects of planned changes in income distribution on future consumption levels and domestic production to satisfy those consumer needs; and (b) the options available when attempting in the development of new industrial activities to ensure employment for the larger active population resulting from the natural increase as well as and from the migration brought about by enforcement of the Agrarian Reform Act. Highly productive projects, with a very high coefficient of investment per person employed, had to be reconciled with projects for medium-sized and small industries which were not very productive, but were labour-intensive.

The type of planning adopted in Chile might be called innovatory planning and reflected the fact that political pressure from various socio-economic strata made it impossible to apply the planning too meticulously.

In conclusion, he associated himself with the views expressed by the Colombian representative concerning the Cuban statement on planning.

Mr. GARCIA (Venezuela) submitted a draft resolution on planning and integration (Conference Room Paper No. 2), sponsored jointly by Venezuela and Colombia.

/Mr. DE LA MELENA

Mr. DE LA MELENA (Peru) observed that the setting of time-limits for the integration process confronted national planning with the problem of modernizing productive enterprises to enable them to cope with competition, which presupposed the elimination of some smaller units and concentration on key industries. It implied the planning of human resources in which assistance could be provided by ECLA and the ILO.

Progress had been made at the regional level in trade integration; the problems had, however, to be tackled comprehensively by dealing, for instance, with physical planning, cultural planning and, in specific cases, institutional planning. He also stressed for a progressively closer relationship between planning and the conduct of monetary policy.

Mr. ULLOA (Ecuador) emphasized the need for planning in Latin America to become part of government policy. Venezuela and Cuba provided examples of satisfactory progress in planning, precisely because planning had been made part of the policy of those Governments. The point was not that planning should be linked with party politics, but that it should be a tool for development placed in the hands of Planning Ministries through which the planners had power to co-ordinate, guide and direct the planning policies of Governments.

Mr. VAN NORT (United States of America) congratulated the secretariat upon the soundness of document E/CN.12/772, the conclusions of which were shared by his delegation. The discussion on the obstacles to planning had been very illustrative, since similar difficulties had arisen in efforts related to regional planning in the United States. There were four salient findings in the document: (1) the need for more effective complementation between overall general plans and short-term planning machinery; (2) the need to establish planning relations at the national level, taking into account Latin American economic integration aims; in this connection it might be useful to institute a system for interchanging planning personnel among countries, especially in the early stages of development, since such an exchange would make it easier to develop a regional approach to planning; (3) problems of assimilation of technological progress, employment and training of human resources, which had become acute in certain sectors, such as agriculture,

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where there was a lack of trained personnel; and (4) the improvement of information media. In this connexion, he pointed out that the United States had an international statistical office that would be prepared to provide specialists to the Latin American countries to help improve and mechanize the collection, preparation and analysis of data.

The speaker was pleased that ECLA and the Institute were giving special attention to the need to improve national planning machinery, since the preparation of good projects and programmes would make it easier to obtain external resources.

Mr. ZAMORA (Mexico), referring to the planning experience of his country, stated that in March 1962 a commission had been set up at the level of the Executive and the Ministry of Finance. It had prepared the development plan 1967/1970, which was still subject to final revision. The commission determined targets and priorities and made proposals for the distribution of investments between the public and the private sectors. However there was no system for controlling the private sector, which was completely free to make its own decisions.

An appraisal of the results achieved in the light of the targets fixed showed that the latter had considerably exceeded the former, not only with respect to global rates but for sectoral growth as well. This applied particularly to the supply of consumer goods. Those results had been achieved under pre-established conditions of exchange, price and balance of payments stability.

Among the obstacles which had arisen in carrying out the plans were the failure of certain petty political officials to adapt to the planning process, as well as the shortage of technical personnel.

It was not advisable to give a planning office the status of a ministry because it might become unduly influenced by political shifts. It was necessary to distinguish between plan implementation, which was the responsibility of high-level political authorities, and plan formulation, which was the task of the planning office.

Mr. COSSIO (Cuba) regretted that the delegate from Colombia had found that the Cuban statement had not dealt sufficiently with the aspects of planning

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and had not been useful for the discussion. In proposing a solution for Latin America's problems in those terms, Mr. Cossio had been guided solely by a desire to provide substantive solutions, which to his way of thinking, could only be found in sweeping structural change, i.e. revolution. This did not mean that he failed to recognize the substantial progress that planning methodology had achieved in other non-socialist countries. It was true, as the representative of Colombia had said, that in the early years some mistakes in economic policy had been made in Cuba; they were attributable to the inexperience of the planners, but it should be recognized that there had been positive results as well, such as large-scale redistribution of income. Moreover it could not be said that the national product had declined. The head of the Cuban delegation had provided data to the plenary meeting on recent progress in Cuba and the Economic Survey of Latin America, 1963, contained data on the development of his country.

The meeting rose at 1.10 p.m.