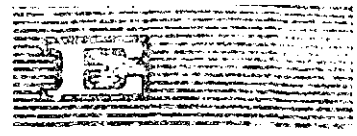


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PLANNING IN LATIN AMERICA

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## I. PAST HISTORY AND PRESENT STATUS OF PLANNING ACTIVITIES IN LATIN AMERICA

### 1. Past history

The need for a development planning policy has only recently been recognized in Latin America as the result of a combination of internal and external factors.

During the forties, the need to enlarge the economic infrastructure, particularly the transport network and power supply, and adapt it to new development conditions, as well as to encourage relatively large-scale projects in key industries led to the preparation and implementation of some partial programmes dependent mainly on public investment.

Subsequently, particularly towards the end of the fifties, it became increasingly apparent that the Latin American economies lacked the necessary dynamism to maintain moderately satisfactory rates of growth, to remedy critical imbalances in their foreign trade and external financing, to contain inflationary pressures, to provide sufficient productive employment for a rapidly increasing labour force, and to improve living conditions and at the same time fulfil rising expectations created by a knowledge of the tremendous possibilities brought about by technological advances. Economic policy thus came to hinge on development in its most comprehensive sense as an economic and social concept encompassing both internal and external limitations. Furthermore ECLA, whose objectives are to analyse the development problems of Latin America, suggest technical norms for a development programme and methods of projecting future needs, helped to instil that more comprehensive outlook, while its work was focussed more on analysis than on planning, the increasing use of projections as a method of anticipating certain problems and analysing policy alternatives, helped to lay the groundwork and provide a methodological tool for the preparations of plans.

Bolivia, Chile and Colombia were the first Latin American countries in this decade to formulate national development plans and to establish the necessary machinery, largely with the help of international technical assistance. However, it was not until the Punta del Este Conference in 1961,

/that the

that the Latin American Governments recognized that planning should be the fundamental instrument for mobilizing national resources bringing about necessary structural changes, enhancing efficiency and productivity and securing more international financial co-operation.

Since then, virtually all the Latin American countries have prepared plans of different kinds and scope. At the same time, the plans have been analyzed and assessed by regional organs which have helped to sustain planning efforts by bringing them into line with the volume and orientation of foreign financial assistance.

A valuable fund of experience has thus been built up, but its true significance may be hard to appreciate because planning is a relatively recent phenomenon and because it began in very special circumstances. Until fairly recently, no experience had been obtained in this field, apart from some preliminary experiments and certain sectoral programmes, and the very idea of planning was resisted. There was no background data on which to draw for planning purposes, and no methodology that had already proved its worth in the particular circumstances of Latin America. Nor was there a flexible administrative structure which could be adapted to functions and methods other than those enshrined by custom and tradition. Nonetheless, this period was marked by the preparation of the technical bases for planning and the training of cadres on an ever-increasing scale. All the countries now have the necessary machinery for the preparation and orientation of plans (offices and general plans); the criteria used in the allocation of resources are becoming more rational, especially in the public sector, last but not least, planning has become a widely accepted idea.

An account will be given below of some of the main features of these developments, which certainly denote a period of great progress. Further improvements upon the progress already achieved will, however, meet with a number of obstacles and limitations that have been emerging, and this suggests the need for a second stage in which more workable systems of planning would be set up, participation in the preparation of the plans would be broadened and the institutional reforms required for really

/effective planning

effective planning would be carried out.<sup>1/</sup> The second part of this paper will review these shortcomings and obstacles, and pinpoint in greater detail the internal and external factors that are hampering the execution of the plans. Lastly, it will draw a few general conclusions which may help to overcome some of the problems discussed.

## 2. Planning organs

Recognition of the need for planning was immediately followed by the establishment of planning offices in the countries where they still did not exist. By now, they are to be found in every Latin American country, and in one case - that of Uruguay - the existence of the planning office has been formally acknowledged in the Constitution.

As planning is a new function of Government, the first task to be undertaken was the establishment of special planning organs. The nucleus was formed by the central planning offices, which evolved in different ways depending on the extent to which they were accepted as part of the traditional structure of government. Generally speaking, they were established in such a way as to become directly responsible to the Office of the President of the Republic. In some cases, an intermediate advisory body acts in liaison capacity between the planning office and the President and his Cabinet, in which the major decisions are discussed and weighed.

Table 1 lists the different policy-making and technical offices to be found in Latin America, and indicates their structure. The situation is less homogenous as regards the sectoral and regional offices since some countries have none, while others are still organizing them (see table 1).

As a rule, the planning bodies act in an advisory capacity to the top-level political authorities. They often have other duties, such as helping to prepare the annual national budget estimates, advise on the external financing of particular investment projects, and co-ordinate foreign technical assistance.

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<sup>1/</sup> This analysis deals with the features common to the whole region, so that certain comments may not be applicable to specific countries. In particular, they do not refer to Cuba because the data available on the Cuban experience is inadequate.



Table 1

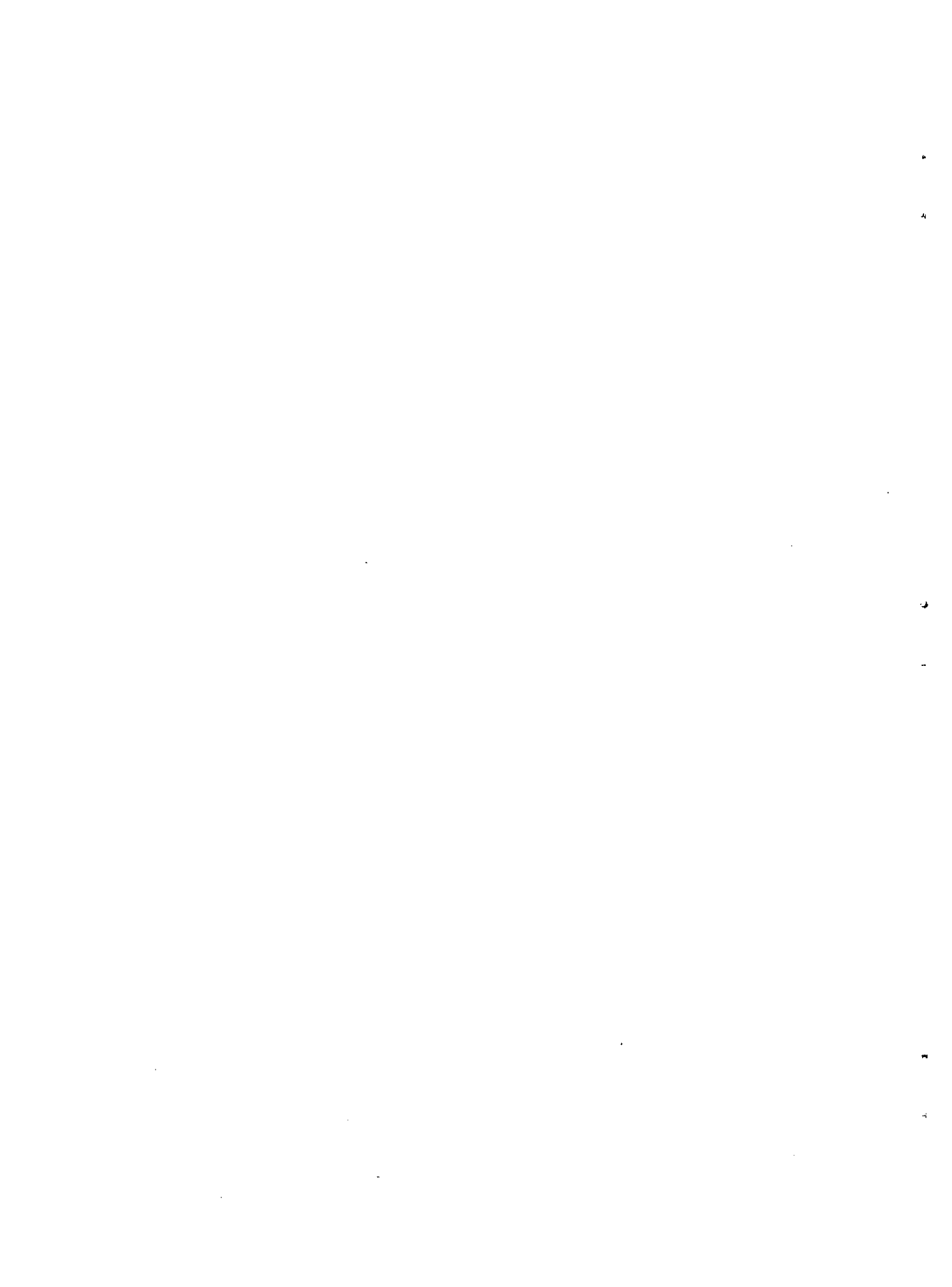




Table 1 - PLANNING AGENCIES IN LATIN AMERICA

Country; 1) Year when first planning agency established & 2) Date when present system established	Agencies responsible for policy lines (Title and Membership)	Technical agencies	Sectoral agencies	Regional agencies
<u>Argentina</u> 1) 1961 2) September 1966	National Development Council (CONADE); President of Argentina and Ministers	Secretariat of CONADE	The Ministry of Public Works and Services and certain State enterprises work out sectoral programmes	Federal Investment Council
<u>Bolivia</u> 1) 1953 2) July 1963	National Economic and Social Development Council (President of Bolivia and the Ministers with economic and social responsibilities)	National Planning and Co-ordination Department (directed by the Minister of Planning and Co-ordination)	In the Ministries of National Economy; Agriculture, Livestock, Land Settlement and Irrigation; Mines and Petroleum; Education and Culture; Rural Affairs; Health; and Labour and Social Security	In process of organization
<u>Brazil</u> 1) 1956 2) July 1963	Ministry of Planning and Economic Co-ordination. Consultative Planning Council (experts, press representatives, entrepreneurs, workers and state or regional development agencies). Advisory Group on Administrative Reform Studies; Alliance for Progress Liaison Committee; and Fund for Financing Project and Programme Studies	Short-term planning: Ministry of Planning groups; Long-term planning: Office of Applied Economic Research (SPEA)	Sectoral planning sections in the Ministry of Planning. Specific bodies (e.g. Executive Group for the Integration of Transport Policy)	Ministry for Co-ordination of Regional Agencies (for Federal regional planning Agencies); Department for the Development of the Amazon Region; Department for the Development of the Nordeste. Planning bodies in almost all states, dependent on state governments
<u>Chile</u> 1) 1939 2) November 1964	Economic Committee of Ministers, presided over by the Minister of Finance. National Planning Office (ODEPLAN)	ODEPLAN	Sectoral planning section of ODEPLAN. Sectoral offices in the Ministries of Agriculture, Housing, Education and Health; and in the Development Corporation (CORFO) for industry	Regional planning section of ODEPLAN Regional planning agencies (ORPLAN)
<u>Colombia</u> 1) 1951 2) December 1963	National Council on Economic Policy (the President of Colombia, the Ministers with economic responsibility, Chief of Planning, Manager of the Bank of Colombia and Manager of the National Federation of Coffee Growers), and the Economic Advisory Group (eight members appointed by the President of Colombia on the basis of nominations by trade associations)	Planning Department	Planning Committees (which establish the general policy, and are presided over by the Minister concerned). Offices of Planning, Co-ordination and Evaluation (technical)	Departmental Government Advisory Council (policy) and Departmental Planning Section (technical). Autonomous Development Corporations: Cauca, Magdalena and Sinu, the Bogota savannah and Ubaté-Chiquinquira.
<u>Costa Rica</u> 1) 1963 2) January 1963	Ministry of Planning, Technical Committee for the Evaluation of Investment Projects (Ministers, senior officials and private associations), Consultative Planning Committee (Heads of Departments of the Ministry of Planning and representatives of private associations)	Ministry of Planning. Planning Office	In all Ministries and in the decentralized autonomous agencies	-
<u>Cuba</u> 1) 1960 2) February 1961	Central Planning Board (JUCEPLAN), presided over by the Prime Minister, and consisting of the Ministers responsible for the central economic agencies	Technical Secretariat of JUCEPLAN. Planning control activities: National Bank of Cuba	Each Ministry has to translate the instructions of the Central Planning Board into specific plans for each sector and unit	Co-ordinating Centre for Northern Oriente and Nuevitas
<u>Dominican Republic</u> 1) 1962 2) November 1965	National Development Council (President of the Republic, Ministers of Finance, Public Works and Communications, Agriculture, Education, Health and Social Welfare, Governor of the Central Bank and Technical Secretary of the Office of the President; associate members: National Planning Director and National Budget Director)	Technical Secretariat of the Office of the President (directed by a Technical Secretary)	In the Ministry of Agriculture. To be established in Ministries with economic and social functions and in the autonomous institutions	-
<u>Ecuador</u> 1) 1954 2) August 1961	National Board for Economic Planning and Co-ordination (Ministers with economic responsibility, the Managers of the Central Bank and the National Development Bank, and three citizens of note)	General Office of Economic Planning	Programming offices in the Ministries of Education; Public Works and Communications; Industry and Trade; Social Welfare, Labour and Public Health; Finance; and Agriculture and Livestock. Also in the Equatorial Land Reform and Land Settlement Institute and the Development Centre (GENDES)	Centre for the Economic Reconversion of the Austro; Board for the Economic Recovery of Loja and Zamora-Chinipe; Centre for the Rehabilitation of Manabí; Development Boards of El Oro, Carchi and Esmeraldas
<u>El Salvador</u> 1) 1962 2) April 1962	National Council for Economic Planning and Co-ordination (President of El Salvador, the Ministers of Finance, Economic Affairs, Agriculture, Labour and Social Security, and Public Works, the President of the Central Reserve Bank, two representatives of private enterprise, and the Executive Secretary)	Technical Planning Office, directed by an Executive Secretary	Planning Committees are being organized in the Ministries of Public Works, Agriculture, Education and Public Health	-
<u>Guatemala</u> 1) 1954 2) November 1954	National Economic Planning Council, Office of the President (the Ministers of Labour and Economic Affairs, Finance and Public Credit, Communications and Public Works, Agriculture, Public Health and Social Welfare, the Presidents of the Bank of Guatemala and of the Institute for the Development of Production, and three representatives of the President of Guatemala)	General Secretariat of the National Council of Economic Planning	-	-
<u>Haiti</u> 1) 1962 2) July 1963	National Planning and Development Department (CONADEP)	CONADEP	-	-
<u>Honduras</u> 1) 1955 2) October 1965	Higher Economic Planning Council (President of the Republic, Secretaries of State for Economic and Financial Co-ordination and Public Works, Natural Resources, Presidents of the Central Bank and the Development Bank, one representative from management and one from labour)	Technical Secretariat of the Higher Economic Planning Council (directed by an Executive Secretary with ministerial rank)	In the Ministry of Agriculture	-
<u>Mexico</u> 1) 1958 2) March 1962	Inter-Ministerial Development Planning Committee (representatives of the Office of the President and of the Ministry of Finance and Public Credit)	Technical office of the Inter-Ministerial Committee	The secretariats of the Ministries, the decentralized agencies and the enterprises with State participation all work out investment programmes	National committees for specific projects (e.g. the Papaloapan Basin)
<u>Nicaragua</u> 1) 1952 2) February 1952	National Economic Council (Ministers of Economic Affairs, Finance, Development and Agriculture, the Presidents of the Central Bank and of the National Bank, and the General Manager of the National Development Institute. Planning Office, Office of the President)	Technical Secretariat of the National Economic Council (under the Ministry for Economic Affairs)	Research and programming offices in most of the Ministries	-
<u>Panama</u> 1) 1959 2) June 1959	General Office of Planning and Administration, Office of the President	General Offices of Planning and Administration. Departments of Planning Budget, Administrative Organization and Personnel Administration	In the Ministries of Education; Agriculture, Trade and Industries; and Labour, Social Welfare and Public Health	-
<u>Paraguay</u> 1) 1948 2) September 1962	National Council for Economic Co-ordination (President of Paraguay, the Ministers of Finance and Economic Affairs, the Chairman and a representative of the Monetary Board of the Bank of Paraguay. Two members of the Chamber of Representatives attend in an advisory capacity. The President may appoint three other members)	Technical Office for Economic and Social Development Planning, Office of the President (Executive Secretary)	-	-
<u>Peru</u> 1) 1962 2) October 1962	National Council for Economic and Social Development (President of Peru, Ministers of Finance and Trade, Development and Public Works, Education, Health and Social Welfare, Agriculture, Labour and Indigenous Affairs, and the Armed Services Departments, and the Chief of the National Planning Institute)	National Planning Institute (whose Chief has the rank of Minister), the Advisory Planning Council (presided over by the Chief of the Institute, with a membership of representatives of entrepreneurs, workers, professionals and Universities)	In the Ministries of Labour and Indigenous Affairs; Public Education; Development and Public Works; Public Health and Social Welfare; and Agriculture. Also in the National Town Planning Office and the National Economic Development Fund	Offices for the planning of geographical and economic regions, and political and administrative divisions, are envisaged. There are development corporations for Cuzco, Arequipa, Madre de Dios, Tarma, Puno and Ica
<u>Uruguay</u> 1) 1960 2) November 1966	Budget and Planning Office (directed by a Committee made up of the Ministers of Finance; Agriculture; Industry and Trade; Labour and Social Security; Public Works; Public Health; Transport, Communications and Tourism; and Culture; and presided over by the Director of the Office)	Budget and Planning Office	In the Ministries of Agriculture, Public Education and Social Welfare; and Public Health	-
<u>Venezuela</u> 1) 1958 2) December 1958	President of Venezuela, in the Council of Ministers	Central Office for Co-ordination and Planning	Sectoral offices in the Ministries and autonomous institutions. Sectoral co-ordination groups	The Venezuelan Corporation of Guaymas; Committee to promote the development of the Andes; and the Zuliano Planning Council

a/ This relates to agencies that represent the origin of the present system.



### 3. The plans prepared

In the majority of cases, the planning offices prepared "general medium and long-term development plans", for periods ranging from four to ten years. It was not long before nearly all the Latin American countries had such plans. The plan usually consists of a diagnosis, a set of projections and overall and sectoral targets, a statement of the particular social goals, a broad assessment of changes required and fields for the application of economic policy, some indications concerning research and utilization of specific natural resources, public investment targets and estimates of external financing requirements. More recently, shorter-term plans have been drawn up, often on a biennial basis.

Table 2 lists the plans that have been prepared in the different Latin American countries. Most of the long-term plans have also indicated at least in the form general statements of principle, the goals to be achieved in land reform, tax matters, education, administration, and national integration through infrastructural works (particularly roads and the opening up of new areas for agricultural settlement). In some cases, a salient feature of the plan is a large-scale project to which particular importance is attached.<sup>2/</sup> On the other hand, specific objectives for income redistribution and measures or policies for unemployment and underemployment are seldom stated.

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<sup>2/</sup> This applies, for instance, to big hydroelectric and irrigation works (Mantaro in Peru, Chocón-Cerros Colorados in Argentina), industrial complexes (Guayana in Venezuela) and roads (Carretera Marginal de la Selva) that predated the plan, but were fitted into the general framework so that their significance could be assessed more accurately in relation to the rest of the economy and for the purpose of securing external financing. Some of those projects are now being implemented while others are still bogged down because the final plan has not been adopted and financing is lacking.

Table 2

ESTIMATED GROWTH RATES OF THE PRODUCT, IMPORTS, CONSUMPTION, INVESTMENT AND EXPORTS IN THE PERIOD PRIOR TO THE PLAN AND DURING THE PLAN, AND ACTUAL RATES

Country	Gross domestic product				Im-ports	Con-sump-tion	In-vest-ment	Ex-ports
	Total	Agricul-ture	Mining	Indus-try				
<b>Argentina</b>								
Pre-plan (1957-63)	0.5	-0.2	17.1	0.0	-0.5	-0.8	2.6	5.4
Plan (1965-69)	5.8	4.4	7.7	7.6	4.7	5.6	5.7	2.1
Actual rates (1965-66)	3.2	2.2	7.5	7.2	-8.8	2.5	-1.8	5.0
<b>Bolivia</b>								
Pre-plan (1950-58)	-0.2	0.3	-5.7	-2.4	4.4	0.9	...	0.0
Plan (1963-64)	6.2	4.8	10.2	6.5	16.2	5.2	27.7	9.7
Plan (1965-66)	5.5	3.0	11.8	7.7	7.6	4.0	10.5	12.0
Actual rates (1963-66)	5.9	3.0	7.6	6.3	9.7	6.5	9.8	4.3
<b>Chile</b>								
Pre-plan (1950-59)	3.2	0.0	0.3	7.1	4.7	3.8	1.3	1.7
Plan (1960-65)	4.8	3.7	7.3	5.0	6.6	3.9	12.0	5.5
Actual rates (1960-65)	4.1	2.0	3.8	6.2	7.0	3.7	10.1	4.6
<b>Colombia</b>								
Pre-plan (1950-59)	4.6	3.4	5.7	6.5 <sub>a/</sub>	1.2	4.1	2.6	5.4
Plan (1959-64)	5.7	4.1	7.4	8.6	7.2	4.4	12.9	4.2
Actual rates (1959-64)	4.7	2.2	2.6	6.1	10.3	6.0	5.4	2.3
<b>Ecuador</b>								
Pre-plan (1950-61)	5.6	5.0	6.3	5.1	6.2	5.1	7.4 <sub>a/</sub>	7.3
Plan (1964-73)								
Hypothesis I	6.4	4.7	7.2	8.6	4.2	5.4	10.3	4.9
Hypothesis II	6.5	4.7	8.0	8.5	5.1	5.7	10.1	4.9
Actual rates (1964-65)	3.3	1.0	2.1	4.5	5.4	5.1	2.3	-2.3
<b>Mexico</b>								
Pre-plan (1958-61)	5.3	3.0 <sub>b/</sub>	1.1 <sub>b/</sub>	6.8 <sub>b/</sub>	-0.2	4.3	5.2 <sub>a/</sub>	6.1
Plan (1962-65)	5.4	4.5	2.6	6.9	8.8	5.5	8.6	4.8
Actual rates (1962-65)	7.3	4.4	4.7	10.1	9.3	7.0	12.4	5.4
<b>Panama</b>								
Pre-plan (1961-63)	8.7	2.4	22.5	17.3	15.2	7.9	11.8	16.6
Plan (1963-70)	5.5	...	...	...	5.3	5.0	6.4	6.2
Actual rates (1963-65)	6.5	7.6	2.7	6.2	4.6	5.3	3.9	8.6
<b>Paraguay</b>								
Pre-plan (1950-64)	3.2	3.9	25.0	6.9	7.6	3.0	5.4	6.3
Plan (1965-66)								
Hypothesis I	4.7	4.9	2.8	8.5	23.0	4.2	22.0	14.0
Hypothesis II	5.8	...	...	...	29.0	5.4	32.0	14.0
Actual rates (1965-66)	3.9	3.4	0.0	1.9	10.6	5.2	1.7	7.8
<b>Uruguay</b>								
Pre-plan (1961-64)	0.9	2.0	d/	0.5	-4.7	-0.1	-4.2	5.0
Plan (1965-67)	4.4	2.2	d/	6.0	9.1	1.7 <sub>e/</sub>	14.5	8.2
Actual rates (1965-66)	1.8	4.9	d/	0.1	-7.7	-0.6	-0.5	7.0
<b>Venezuela</b>								
Pre-plan (1959-62)	2.8	7.7	3.9	5.1	-10.4	-0.6	-4.6	5.4
Plan (1963-66)	7.6	7.9	4.3	12.0	2.2	...	...	4.6
Actual rates (1963-66)	6.0	6.9	1.7	9.0	1.7	6.2	8.8	1.7

Source: Development plans and ECLA, on the basis of official statistics.

a/ Gross fixed investment.

b/ 1950-58.

c/ Government consumption.

d/ Included in the industrial sector.

As an integral part of the overall plan or to supplement it various countries have prepared public investment plans for two or three year periods which, in relation to the general macro-economic framework, specify the sectoral investment targets of Government agencies (the central government, autonomous agencies and, in some cases, State-owned enterprises), on the basis of draft or final projects. This is the kind of plan that has been most effective in bringing the planning offices into closer contact with the budgetary organs and in modernizing and streamlining government budgets. These plans have also proposed criteria for the allocation of resources to projects already under way, projects to supplement them or new projects, and have had to tackle the problem of distributing resources between productive investment, direct development expenditure, the expansion of current expenditure and investment expenditure in the different social services.

Thus overall long-term plans have made a major contribution to the establishment of general development policy. Supplemented by medium-term plans, they have served to rationalize public sector activities. However, the countries of the region have not made an analysis in depth of specific short-term economic policy programmes which help to ensure that immediate action is compatible with the long-term objectives.

The small number of annual operational plans, except for public investment schemes can be explained by various factors, including methodological shortcomings and inadequate descriptions of individual projects and failure to establish short-term economic policies.

Experience with regard to regional plans has been varied, and the guiding principles observed in their formulation have not always been uniform. In some cases, for example, an attempt has been made to distribute some public investment targets of the overall plan among the various regions responsible for sectoral targets. In other cases, the policy has been to formulate a general programme, more or less unrelated to the overall plan, for an especially backward region or for a region with a very favourable combination of natural resources.

#### 4. Implementation of plans

Apart from the difficulty of assessing the various plans in terms of the actual expansion of economic activity, such an assessment may be meaningless in some instances, and in others may overlook or underestimate the contributions of planning.

A case in point is afforded by the overall growth targets for the product and its major components. Table 3 presents, in relation to ten Latin American countries, the growth rates of the total product and of the agricultural, mining and industrial sectors, as well as of the aggregate components of demand (imports, consumption, investment and exports); in each case, the rates envisaged in the various plans are recorded, together with those attained previously and those reached during the early years of the plan's operation.

Although such figures would seem to constitute a factual basis for evaluation, it would be hazardous to draw final conclusions from them, other than the very general observation that as a rule there is a relatively wide gap between the targets of the plans and actual economic trends. The extent to which the plans were politically supported, their intrinsic nature, the evolution of exogenous variables mainly relating to foreign trade and financing, and many fortuitous factors would require detailed consideration of each specific case, although many have features in common, such as those discussed in the relevant sections of this note.

Much the same is true of the general lines of development policy followed in the plans. In most instances, they represent principles or proposals worked out before the plans were officially sanctioned and incorporated in them as decisions thus strengthening them and directly or indirectly helping to bring them into operation. Thus, although the progress achieved in certain fields may not be directly attributable to the content of specific plans, it is unrelated to all that the planning process involves. For example, since 1961 - when planning first became a widespread practice - agrarian reform laws have been passed by fourteen of the Latin American countries, and most of them are adopting tax legislation and improving tax administration with increasingly favourable effects on the income of the public sector.

Table 3

MAIN ACHIEVEMENTS OF NATIONAL PLANNING IN LATIN AMERICA

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Argentina:	National Development Plan, 1965-69. National economic budget, 1966.
Bolivia:	Economic and Social Development Plan, 1962-71. Sectoral plans, 1963-64. Performance budgeting since 1961. Two year economic and social development plans, 1963-64 and 1965-66.
Brazil:	Target plan (1957-60). Three-Year Economic and Social Development Plan, 1963-65. Government Programme of Economic Action, July 1964-March 1967. Ten-Year Plan, 1967-76 (in preparation).
Chile:	Sectoral short-term plans (power, steel, petroleum, etc.). National Development Programme, 1961-70. Five-Year Development Plan (in preparation).
Colombia:	Performance budgeting since 1961. General Economic and Social Development Plan, 1962-70. Four-year public investment plans, (1961-64, 1962-65).
Costa Rica:	Performance budgeting since 1964. Economic and Social Development Plan, 1965-68.
Cuba:	Plan for the National Economy (annual, beginning 1962).
Dominican Republic:	Performance budgeting since 1964. Bases for national development (1966). Two-year development plan (in preparation).
Ecuador:	Bases and directives for the programming of Ecuador's economic development. Short-term development plan. Performance budgeting since 1963. General Economic and Social Development Plan, 1964-73.
El Salvador:	Two-Year Public Investment Programme, 1964-65. Performance budgeting since 1964. Economic and Social Development Plan (1965-69). Annual public investment plans since 1966.

/Table 3 (conclusion)

Table 3 (conclusion).

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Guatemala:	Performance budgeting since 1964. Economic and Social Development Plan (1965-69).
Haiti:	Short-term plan (two-year investment plan). Emergency programmes (1966).
Honduras:	National Public Investment Plan, 1963-64. Preliminary version of the Four-Year Economic and Social Development Plan, 1962-65. Performance budgeting since 1964. Economic and Social Development Plan (1965-69).
Mexico:	Sectoral plans. Short-term plan, 1962-64. Development Plan, 1967-70 (in preparation).
Nicaragua:	Performance budgeting since 1964. National Economic and Social Development Plan, 1965-69.
Panama:	Economic and Social Development Programme, 1963-70. Performance budgeting since 1966.
Paraguay:	Performance budgeting since 1963. Two-year plans (1965-66 and 1967-68).
Peru:	Public investment programme, 1964-65 and 1966. Performance budgeting since 1963. Economic and Social Development Plan (1967-70).
Uruguay:	Economic Survey of Uruguay (1963). National Economic and Social Development Plan (1965-74).
Venezuela:	Four-Year Plan, 1960-64. Performance budgeting since 1963. Annual plan of operation (1964). National Plan, 1962, 1963-66 and 1965-68.

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/From another



From another standpoint, the preparation of plans has compelled more thorough study of each country's economic situation and investigation of the causes of its under-development. The planning effort has been reflected in substantial improvements in the basic statistical data available, has encouraged surveys of natural resources, created greater awareness of internal and external financing problems and helped to identify the essential features of a Latin American development strategy. Although all this has not produced immediate and tangible results, it implies a substantial though gradual change in the approach to problems. As the process has been gradual, this change of attitude has sometimes escaped notice, but when analysed, it reveals a considerable difference between the approach to development problems adopted by Governments and the public today, and the situation a few years ago. It has been rightly contended that the existence of a plan is less important than the fact that it has been worked out.

One of the most direct and immediate results of development plans is the effort to rationalize the public sector, shown both in general policy and in the formulation of public investment plans, the use of programme and performance budget techniques and the evaluation of projects.

The general principles set forth in the plans have served to elucidate the development process and to weld into a whole the many and various piece-meal measures involved in Government action. This does not mean that the decisions adopted have been strictly in line with the plans, but it does imply the existence of a yardstick to measure the deviations caused by unfavourable conditions and the extent to which favourable circumstances have been exploited. Furthermore, familiarity with the plans and public discussion of them at the national level, together with their evaluation by international technical agencies, have made for the inclusion of decisions requiring structural reforms.

The rationalization of public expenditure has been especially noteworthy in the countries where public investment plans have been drawn up, since sectoral budgets have had to be fitted into an overall concept encompassing a breakdown of investment to be made by State agencies

/and projects

and projects and preliminary projects for a two-year or three-year period. Although in most cases the quantitative targets established may not have been attained, this is probably the type of plan that has operated most effectively in Latin America, among other reasons because it relates to one of the special provinces of the public sector, on which it is binding,

The adoption of programme and performance budgeting has gradually superseded the traditional process and has resulted in the increasingly rational allocation of public expenditure and investment. The efficient operation of this system calls for conditions that have not yet been fully established (skilled personnel, reliable statistical data, identification of executive units, integration of the accounting systems of the public sector, costing and evaluation, channels of communication between the central and sectoral budget offices, etc.). Nevertheless, in the countries where it is applied, budgeting and planning are better co-ordinated at the budget programming stage, and budgets are presented in a more rational form. At the same time, the processes of execution and evaluation of the budget are being brought into line with the new system, and some countries already have adequate machinery for accounting, costing and evaluation of results.

Where public sector projects are incorporated in an overall strategy, the process of evaluating them has necessarily involved assessing their relative importance, establishing a satisfactory order of priorities, considering the compatibility of projects and groups of projects and taking into account their direct and indirect effects on the economy as a whole. It has thus been possible to prevent, in part at least, situations such as have recently arisen in some countries, in which the haphazard launching of projects has led to disproportionately heavy external borrowing or serious distortions of the structure of production.

5. External technical co-operation

External technical co-operation has without a doubt exerted a marked influence on planning efforts in Latin America, directly in some cases and indirectly in others. It has been responsible for much of the headway made in overcoming limitations to planning. This influence has operated mainly with respect to methodology, training of cadres, the actual formulation of plans, and the promotion of specific projects.

Technical assistance in the field of planning methods was particularly important because the region was lacking in experience, statistical and technical data were not abundant, and the economic and social characteristics of Latin America did not make it easy to transplant methods used in other parts of the world. Consequently planning helped to develop an appreciation of the efforts of international agencies to secure a fuller and deeper understanding of the Latin American economies and their development problems, as well as the usefulness of their work in programming and projection techniques, programme and performance budgeting, and preparation and evaluation of projects.

This applies to some of ECLA's general studies,<sup>3/</sup> and to its subsequent analyses of overall programming techniques,<sup>4/</sup> its specific

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3/ See, for example, "The economic development of Latin America and its principal problems", Economic Bulletin for Latin America, Vol. VII, N° 1; Economic Survey of Latin America 1949; and Problemas teóricos y prácticos del crecimiento económico, United Nations Publications, Sales N° 1952.II.G.1 (issued in English in mimeographed version only, under the title Theoretical and practical problems of economic growth (E/CN.12/221)).

4/ See the provisional study on the technique of economic development programming, revised and reissued in July 1955 under the following title: Analyses and projections of economic development: I. An introduction to the techniques of programming, United Nations Publications, Sales N°: 1955.II.G.2.

studies on the development of a number of countries,<sup>5/</sup> and its discussion of programme and performance budgeting and project preparation and evaluation techniques.<sup>6/</sup> The Commission also helped to relieve the serious shortage of specialists in these subjects, by initiating training courses on development planning in 1952. These and other activities were considerably strengthened by the establishment of the Latin American Institute for Economic and Social Planning in July 1962. Its objectives were to strengthen the training programme, help Governments to initiate the planning process and carry out studies on basic development problems and planning techniques.

The special impact of its training efforts has been reflected in the fact that only very recently have subjects specifically relating to planning and development been included in the regular curricula of Latin American universities. The first planning efforts were supported only by small groups of technical experts trained under special programmes designed and implemented by international agencies. While such programmes could not take the place of previous academic training, they have fulfilled a useful function by laying down general guidelines and providing the methodological tools required to cope with immediate responsibilities. Moreover, they have helped to bring together specialists

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5/ Analyses and projections of economic development; II. El desarrollo económico del Brasil, United Nations Publications Sales N° 56.II.G.2; III. El desarrollo económico de Colombia, United Nations Publications, Sales N°: 57.II.G.3; IV. El desarrollo económico de Bolivia, United Nations Publications Sales N°: 58.II.G.2; V. El desarrollo económico de la Argentina, Vols. I, II and III, United Nations Publications Sales N°: 59.II.G.3; VI. The industrial development of Peru, United Nations Publications, Sales N°: 59.II.G.2; VII. El desarrollo económico de Panamá, United Nations Publications Sales N°: 60.II.G.3; VIII. El desarrollo económico de El Salvador, United Nations Publications, Sales N°: 60.II.G.2; IX. El desarrollo económico de Nicaragua (in the press); XI. El desarrollo económico de Honduras, United Nations Publications, Sales N°: 61.II.G.8.

6/ The fiscal budget as an instrument in the programming of economic development (E/CN.12/521); Algunas consideraciones sobre las relaciones entre la programación del desarrollo y el presupuesto fiscal (E/CN.12/BRW.2/L.5); La experiencia de algunos países de América del Sur en materia de reforma presupuestaria (E/CN.12/BRW.2/L.10); Manual of economic development projects, United Nations Publications, Sales N°: 58.II.G.5.

with different technical backgrounds and experience (economists, engineers, sociologists, educators, doctors, administrators) for planning purposes on the basis of a minimum of common training and language, and to fit them for the team work that planning entails.

The co-operation of ECLA, and later of the Institute has also been extended to cover the provision of advisory services for the purpose of organizing and establishing planning machinery and formulating plans. Several countries have obtained the co-operation of "advisory groups", set up by these international agencies most often with the participation of the Inter-American Development Bank and the OAS Secretariat, or with occasional advisory services in specific fields.<sup>7/</sup> Later, such services were also offered by official agencies or foreign foundations under bilateral co-operation programmes.

In addition to these direct forms of external technical co-operation there are a number of different ways in which planning has been enlarged in scope and made more effective. The panel of experts established under the agreements contained in the Punta del Este Charter, whose function is to evaluate plans and make recommendations on external financial assistance, was instrumental in improving plans and strengthening national planning systems. The Inter-American Committee on the Alliance for Progress was subsequently established as a committee of the Inter-American Economic and Social Council to make an annual review of the economic situation and the implementation of plans in each country and to estimate the amount of external financing required. Its establishment was another milestone in the progress of planning in Latin America. The significant contribution of the Inter-American Development Bank to the development of the region took the form, inter alia, of financing regional programmes, national planning organs and international and regional agencies engaged in planning. The expansion of the activities of international financial institutions (IBRD, United States Government agencies and others) has also stimulated the preparation of investment projects and helped to improve their quality.

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<sup>7/</sup> Advisory groups were set up in Colombia (May 1959); Bolivia (April 1960); Haiti (end of 1961); Uruguay (March 1962); Paraguay (end of 1962); Peru (February 1963); and Central America (early in 1963).

## II. OBSTACLES TO THE IMPLEMENTATION OF PLANS

Although planning in Latin America has made a number of important advances in certain aspects, it still has serious weaknesses and improvement of planning and implementation of plans is still being hampered. Recently, the planning process has been experiencing a period of stagnation, and in some cases can be seen to have lost ground. The impetus to prepare the overall plans has spent itself, and the same fervour has not been applied to the tasks of translating overall planning policy into specific economic Policy Programmes and short-term operational plans and establishing efficient instruments for the periodic review and up-dating of plans and the evaluation of their implementation.

It is in such tasks that the various limitations and obstacles are most apparent. Some of them stem from internal factors, ranging from the most general, including the political stability amount of political support that planning efforts actually enjoy, to factors more directly related to the actual operation of planning machinery. In evaluating these latter factors, particular account should be taken of the relatively short period of time that has elapsed since planning was initiated, and of the fact that in other countries efficient planning was the fruit of many years' sustained effort. Moreover, a number of other usually serious problems, arising from external factors, mainly related to instability and the limited development of foreign trade and inadequate conditions of external financing are impeding the attainment of planning targets in Latin America.

It is more pertinent, therefore, to point to the obstacles now hampering planning in Latin America and to possible ways of overcoming them, than to draw up a balance sheet of progress made and existing limitations.

/A. INTERNAL

## A. INTERNAL PROBLEMS

### 1. The functions of planning

Although the need for planning as an instrument for a coherent development policy has been generally accepted by Government, there has been no effective unity of aims as regards planning aims and basic priorities. From the beginning, a number of different attitudes emerged. In some instances there was a tendency to regard planning primarily as an instrument for mobilizing external financial resources and as an additional requirement for international financial co-operation, thus emphasizing the urgency for some kind of plan and tending to highlight those aspects of the plan most directly related to foreign aid. In others, planning was seen from a professional and theoretical point of view as an instrument for shaping the structural changes essential to Latin America's development and an expression of an action programme by the various economic sectors aimed at achieving economic and social gains which planning itself would help to formulate. Sometimes, planning was identified as a means of attaining the limited goal of more rational administration. In one way or another all these points of view were incorporated in the plans drawn up, but substantive aims of economic and social policy often were not reflected in specific decisions.

The problem is particularly important since the structural changes essential to the development of Latin America confront the planners with a task that is different and more difficult than planning in developed economies, where the changes required are usually less drastic and where there is a wider consensus on more issues.

Moreover, those different outlooks have given rise to a destructive and sterile controversy concerning the planning most suitable for Latin America based on much confused thinking. It has been argued that "overall" or "macro-economic" planning should be abandoned and that efforts should be concentrated on building up a sufficient number of well-planned specific projects. On the other hand, where stress has been laid on planning as an instrument for formulating basic long-term policy, immediate problems have sometimes been neglected or deferred for future study. Instead of attempting to co-ordinate efforts to define long-term policy, which are indispensable to effect the wide-ranging changes essential to Latin American development, with the machinery designed to

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implement that policy by immediate action, there has been a tendency to reject or underestimate one aspect and concentrate exclusively on the other.<sup>8/</sup>

## 2. Political support for planning

The need for planning the economic and social changes essential to the development process raises the problem of the political viability of Latin American plans and the amount of effective support required by the planning effort. The plans generally encounter resistance from sectors which feel threatened by specific measures or are exerting pressure for a larger share of national income. At the same time, they often encounter resistance from the traditional government administration, which is reluctant to institute changes and jealously guards its policy-making power against any possible transfer of power which may imply reorganization of the administrative structure to facilitate the establishment of the policy-making machinery which planning requires.

Thus, plans inevitably suffer from serious obstacles during the implementation stage which cannot be overcome unless the governments provide ample and sustained support, a support which is not always forthcoming in Latin American experience.

Moreover, apart from substantive reasons, the difficulties of successful planning arise to some extent from the manner in which the plan takes shape. In some cases, there was little or no communication between the technical planning officials and the government departments during the preparatory stages.

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<sup>8/</sup> These and other problems touched upon in this note were the subject of detailed study at a seminar organized by the Latin American Institute for Economic and Social Planning and held in June 1965. In this connexion, see Discusiones sobre Planificación, Textos del INSTITUTO, Editorial Siglo XXI (Mexico, 1966).



3. Participation of the private sector

The problem of political support is even greater where the private sector is concerned. Resistance from some parts of the private sector is inevitable whenever plans incorporate decisions to institute changes affecting specific situations or interests, but there seems to be a wide margin of potential support which has not been mobilized because of deficiencies in the planning process itself.

In general, there is a lack of communication between planning organs and the private sector. Rarely is any attempt made, during preparation of the plan, to consult representative national opinion groups (parliament, political parties, trade unions, employers' associations, universities, etc.) or the sectors directly concerned (entrepreneurs, importers, exporters, consumer associations, etc.).

This phenomenon, like others, arises partly because planning is not expressed in terms of specific economic policy measures which might induce the private sector to follow particular guide lines. The private sector regards the plan as an overall review of the economic situation providing valuable information on the intentions of the public sector, but the plan does not guide its activity by providing incentives or disincentives in the form of credit, trade or tax policy measures, for example.

4. Operation of planning machinery

The varying degrees of political support for planning, the poor definition of its functions and its relationship with the decision-making centres, and the limited participation of the private sectors, are not calculated to promote the more efficient operation of the planning machinery. On the other hand its operational flaws and weaknesses make yet more remote the possibilities of forging closer links between the planning offices and the permanent decisions of the government authorities and other interested sectors.

The opposition which is bound to arise from the traditional policy-making organs, both among the political authorities and in the national administration as a whole, would seem to necessitate some sort of "strategy" for introducing planning machinery, which would obviate such friction as far as possible so that planning could be progressively built into the administrative structure and procedures.

In this respect, planning in Latin America has manifested serious shortcomings. Isolated as they usually are from the traditional channels of administration and decision-making, the planning offices have often been saddled with the responsibility of preparing a development plan with a minimum of guidance from the political authorities or none at all. As a rule, contracts have continued to be sporadic and inadequate throughout the formulation stage, and the planning agencies have not been punctual in presenting the technical alternatives together with a justification and evaluation of implications, which would have required decisions at the political level. In the circumstances, the plan which has been drawn up has not been discussed in sufficient detail by the various government policy-making and executory organs, and therefore creates resistance in the Ministries and decentralized agencies.

There have also been instances of an over-concentration of resources and activities in the central planning agency. While such a concentration was essential at the time, the result was that a high proportion of the planning experts - who are in any case few and far between - were grouped in this central office, and since the Ministries and autonomous agencies have done very little in the way of planning, that office has tended to assume direct responsibility for the preparation of sectoral plans and projects.

While there would seem to be every justification for making the central planning office a division of the Office of the President of the Republic since the support of the Chief of State and his Cabinet is a sine qua non for the satisfactory operation of the central agency, this has not automatically guaranteed the institution the stability and backing it needs, or the maintenance of easy channels of communication. In some instances, a change of Government has halted planning processes that were making good headway, and in others it has pumped new life into efforts that seemed to be petering out. An attempt has been made to maintain communication through development councils or boards consisting of Ministers, high-level officials and technical experts. However these organs have not always served their purpose. In other instances they have done useful work in co-ordinating development policy with the work of other departments of the national administration, but this co-ordination is apt

/to peter

to peter out at the operational level for lack of proper direction and supervision. The absence of efficient sectoral and inter-sectoral co-ordination machinery means that the co-ordination achieved at the core of the system weakens or disappears altogether at the lower levels as a result of organizational and procedural deficiencies.

The direct link between the head of the central planning office and the President of the Republic which exists in some countries seems to impart greater flexibility to the central planning agency by forestalling the difficulties inherent in the operation of pluripersonal bodies, which in Latin America have, as a rule, proved to be slow-moving and lacking in dynamism. It is observable, however, that when the technical director of the planning office does not have ministerial rank or a voice in the Cabinet, he finds himself at a definite disadvantage, and the central planning agency cannot discharge its functions efficiently, especially that of co-ordinating the public sector for purposes of implementing the plan. At the same time, the technical director in charge of the central agency is exposed to political pressures, and is often replaced when the government changes, since he is held responsible, whereas that responsibility would otherwise be assumed by the planning council or board.

The sectoral planning agencies are generally weak and faced with organizational and procedural problems. However, this is far from the rule in the various Ministries and decentralized agencies. They are often regarded merely as operational instruments for compiling statistical data: they are assigned routine duties which relegate programming activities to a secondary status, or they are used as agencies for the study of the most widely varying questions. They do not get the political support they need to carry out their functions, and are usually cut off from the central planning agencies, the operational agencies of the Ministry concerned, and the decentralized and autonomous agencies in their sector.

Similarly, regional planning has had to cope with innumerable obstacles, not the least of which is the fact that political divisions and economic areas are not the same. Since the regions suitable as a basis for planning often comprise different political divisions, each with its own interests and provincial, state or local pressure groups, it is very difficult to reconcile opinions and advance towards common objectives.

/Furthermore, some

Furthermore, some provincial or state governments are riddled with administrative weaknesses or are not sufficiently active in promoting economic and social development.

In the last analysis, those problems are simply so many corollaries of the general rule that planning organs have been superimposed on an administrative structure which has not been adapted to the demands of planned development policy.

In recent years, several countries have established central organization and methods offices, which have assumed responsibility for administrative reform. In many cases, these central offices have had no connexion with the agencies of the planning system, or with those in charge of staff and budget administration. Action taken to promote the reform has nothing whatever to do with national development activities. Thus, although general planning efforts have indirectly served to focus attention on administrative streamlining this task has usually been undertaken independently of economic development policies.

5. "Operability" of the plans

In addition to the problems arising from administrative organization and the position of planning machinery within the administration, other factors help to widen the gulf between the planning organs and the policy-makers.

The trouble is, in essence, that the plans formulated thus far cover only a part of the planning process; in other words, the planning effort has not yet been carried through to a conclusion, either from the standpoint of the plans drawn up or from that of the establishment and operation of effective machinery for the periodic revision of plans and for the supervision and evaluation of their practical application.

Many of the overall plans embody forecasts based on an improvement - sometimes substantial - in previous trends and on the anticipation of potential limiting factors. As a result, the overall plans leave a wide gap between macro-economic considerations and general principles and their implementation by means of specific policies (monetary, exchange, fiscal) and operational plans. At the other extreme, some plans for immediate action which have begun to operate merely enumerate partial proposals and certain specific projects often without evaluating them in broader perspective.

/The lack

The lack of an effective "bridge" between the two dimensions of the planning effort has been detrimental to the two types of plan, in the first instance because it greatly detracts from their viability and in the second, because the plans fail to come to grips with the fundamental obstacles to development. This absence of an organic relationship between the long-term general plan and the corresponding specific plans in terms of the use of the various instruments of economic policy and mobilization and allocation of resources, is still one of the principal shortcomings of planning efforts in Latin America.

It is as much the result of poorly conceived development policy as it is of failure to design and implement effective short-term planning schemes.

(i) Definition of development policy

The lack of a clear definition of that policy is reflected in the fact that the growth targets of long-term plans are not usually expressed in terms of the employment, productivity and training of human resources. Despite the significance and magnitude of the under-employment problem in Latin America, most plans do not deal with it specifically and little attention is devoted to the occupational structure and educational pattern of the employed population. Similarly, due regard is not given to the supply and demand for labour, and the need to bring the economic expansion targets established in the plan into line with available manpower, and particularly skilled labour. The problem of sectoral differences in productivity and the assimilation of technology is hardly mentioned in the majority of the plans, and the relevant proposals are confined to the broadest generalizations, no attempt being made at analysis in depth.

Much the same may be said in connexion with the continuing high degree of income concentration in Latin America, which is another factor exerting a marked influence on the region's development. The plans often allude to this problem in the diagnosis, and even go so far as to list certain general palliatives (absorption of unemployment, increases in productivity, and/or price and wage, tax, public expenditure and education policies); but these statements of principle are not translated into

/specific terms,

specific terms, nor is due allowance made for the effects of the targets established in the plan and in the proposals for attaining them on income distribution.

From another standpoint, although a broad and integrated view of development, in which economic and social factors are closely interrelated has been gaining wide acceptance in Latin America, there remains the specific practical problem of how to decide whether to allocate funds to particular "social services" (education, housing, and public health) or to apply them to enlarge the economic infrastructure and the immediately productive field of the economy. In the absence of objectives guidelines, decisions are influenced in the end by circumstantial factors, such as the power of the authorities responsible for the respective fields, or political considerations of the moment. Through force of circumstance rather than as a result of deliberate policy, social expenditure has been increasing proportionately in most Latin American countries, and this process has been encouraged by the direction taken by foreign aid over the last few years. How far this concentration of effort can be maintained is a matter of conjecture, unless a similar effort is made to broaden the economic base which must sustain it. Moreover, serious doubts are beginning to emerge as to the effectiveness of certain kinds of social action on behalf of particular social groups, when they are intended to relieve shortages which really reflect more deeply-rooted problems of economic and social marginality. All this places a very heavy burden on those responsible for planning, who have neither sufficient experience nor the necessary technical machinery for discharging their responsibilities, and are hampered by the failure of Government to adopt the political decisions to support them.

Finally, it should be pointed out that with the exception of Central America, most Latin American development plans have not explicitly incorporated the regional economic integration prospects in their plans as a variable affecting their development policies. Integration appears to be following its own course, along channels relatively far removed from planning efforts. Although there are several fundamental reasons for this phenomenon, it would seem reasonable to suppose that this separate development is also affected by the fact that economic integration would raise new problems and the technical planners do not have the necessary methodological instruments to cope with them.

(ii) Short-term planning schemes

The second problem arises from the fact that countries have not yet succeeded in developing and activating the essential technical machinery required to complete the various stages of planning so that general economic policy can be translated into effective and immediate action.

Despite considerable progress in improving procedures for allocating public sector resources by means of medium-term public investment plans and the use of programme and performance budgeting techniques for the annual Government budget, there are still acute problems. No comparable progress has been made, for example, in working out annual operational plans, economic policy or in standardizing annual economic budgets, etc.

For example, in the application of public investment plans, there is a marked disparity between targets and financial estimates, either because the tax reforms on which they are based are not carried out to the extent or in the time anticipated owing to delays in international financing or special problems of financing local cost, or because any unexpected shortage of financial resources in the public sector affects investment much more than current expenditure. The operational capacity of the public administration to undertake new or increased activities is often overestimated because there are no proper criteria or machinery for evaluating it objectively, although there has been some significant progress in that respect. On the other hand, there is a general tendency to underestimate the volume of projects under way and, consequently, to underestimate the lack of flexibility in the allocation of resources because priority, save in exceptional circumstances, must be given to partially executed projects.

The programme and performance budget has been adopted as the model for annual public sector budgets in most countries of the region, and Uruguay's new political Constitution expressly stipulates that the Executive must present a breakdown of the national budget by programmes. On the other hand, similar progress has not been made in the preparation of annual plans of operation, an exercise regularly carried out only by Venezuela. The formulation of experimental numerical models for the analysis of economic policy is being tried out chiefly in Venezuela and Chile. As regards national economic budgets, the only practical experiments thus far have been conducted in Argentina, where such a budget was drawn up and comprised a series of quantitative estimates of the probable behaviour of the chief macro-economic variables - including private investment - and of the compatibility of public expenditure with the situation and needs of the national economy.

/The continuing

The continuing wide disparity between the plans and the conduct of economic policy is usually most pronounced in countries suffering from acute and persistent inflationary pressures. Those countries are confronted not only with the practical problems associated with the level and system of prices, but with the substantive difficulty of reconciling the plan's objectives with the requirements of stabilization policies. Growing concern with this problem has led to the preparation of plans specifically designed for that purpose. However, most often two unrelated and frequently contradictory policies are superimposed on one another: the policy implicitly or explicitly related to development plans or based on them, and the policy intended primarily to stabilize prices.

(iii) Procedures for controlling the implementation of plans

The lack of progress in the formulation and implementation of operational plans is clearly demonstrated by the non-existence of machinery for controlling the implementation of plans, evaluating the problems which arise and insisting on the rectifications which are patently necessary.

Not only must administrative organs be established to assume those functions, but evaluation techniques must be developed which will be applicable to Latin American conditions.

6. Specific investment projects

Without discussing the spurious distinction made between plans and projects, which unfortunately continues to be the subject of some controversy, there is no doubt that the lack of sufficient specific investment projects has proved a serious obstacle to the effective implementation of Latin American development plans.

This subject was examined in detail at a recent seminar at which a number of suggestions were put forward, which might appropriately be summarized here.<sup>2/</sup>

One suggestion referred to the need for a very broad interpretation -- particularly under present-day conditions in the Latin American economies -- of the "project" concept, covering every unit of activity capable of implementing a development plan.

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<sup>2/</sup> The seminar in question was organized by the Latin American Institute for Economic and Social Planning and was held in Santiago, Chile, from 6-14 July 1965.



The persistent shortage of projects despite the progress achieved in certain immediate factors which are usually regarded as decisive, posits the existence of other root causes. It develops that the shortage of projects is merely another manifestation of the weakness of the decision-making and implementation machinery. The shortage of projects is no more acute than it was before in absolute terms; quite the reverse. What seems to be happening is that traditional policies of unplanned development in one way or another provided incentives for public and private enterprise which led to the formulation of specific projects, some of them of marked importance. There is still a continuous flow of investment decisions, some of which materialize in project form, but planning has imposed additional and much greater demands.

Firstly, projects are now required to meet specific investment objectives and targets stated in the plans and to fit into certain overall strategies. In so far as they are not clearly defined, these objectives and that policy do not provide sufficient incentives for suitable projects, nor do they in themselves represent strategic projects. The economic integration of Latin America illustrates this point: until the political decisions have been taken and political agreements concluded at the appropriate levels, no public or private initiatives in the form of specific projects can be launched.

Secondly, planning not only requires the initiation of a certain number of projects but also arranges them in the proper order of priority and determines the relationship between projects and groups of projects with due regard for their direct and indirect effects on the economy as a whole.

Viewed in this context, the problem of promoting, identifying, preparing, evaluating and executing projects is closely linked with the establishment of an effective planning system and with the necessary administrative reforms. Naturally, the difficulties of translating a development strategy rapidly into operational plans cannot be disregarded, any more than the difficulties connected with the shortage of trained personnel, experience and technological resources. When the first plans

/are drawn

are drawn up, a high proportion of investment capacity - particularly in the public sector - is tied up in projects in progress, which can only occasionally be replaced by other projects better adapted to the new plans. In other words, the maturation period of projects of a certain magnitude tends to be longer, as suggested by the experience of the Bank, which found that a large power of transport project may take from three to five or more years from the time it is decided to undertake the economic and engineering studies to the time they are completed and the financing of the project can be approved and implementation started.

#### 7. Availability of information

Improvement of the planning process in Latin America is being hampered by problems of the availability and quality of the basic information on which it is based. The information is mainly, but not exclusively, statistical data.

There are serious deficiencies in the quantity, quality and timeliness of data that are basic to planning. Moreover, full justice has not been done to the statistical function within the planning effort. In general, national statistical offices occupy a very subordinate role in public administration as a whole; their employees are frequently ill-paid and their staff unqualified. Very few have adequate financial resources or mechanical equipment for the efficient collection and elaboration of data. From another standpoint, there are gaps in the legislation making it compulsory to supply certain data and, above all, in the machinery for giving effect to that legislation. The various sectoral, regional and local statistical services are not sufficiently co-ordinated and national statistical programmes have not been drawn up.

Problems have also cropped up in relations with the users, one being under-estimation of the information requirements of the public administration and private sector. Moreover, proper facilities have not been set up to enable the offices providing the data to use them as a guide in decision-making. Relations with the planning offices in particular are usually characterized by sporadic demands for data made

/when plans

when plans are already in course of preparation. These relations have never been systematized, let alone developed into a mechanism providing a permanent flow of up-to-date information that would facilitate the periodic revision and evaluation of plans.

The quality of the data is uneven, depending on the sector to which they refer. Foreign trade statistics are the most accurate, followed by population data, while data on domestic trade, services construction, road transport and unemployment are particularly poor. When censuses are used as a basis for the work, there is a lack of continuity, one of the results of this being the preparation of a new industrial directory every time an industrial census is taken instead of the up-dating of an earlier edition. Delays are a common feature of the data processing, but in some cases attempts have recently been made to overcome this problem by using sampling techniques. Another shortcoming is the lack of a systematic and continuous series of indicators for tracing short-term changes in the economy. Lastly, there is usually a long delay before the data are published.

/B. EXTERNAL

## B. EXTERNAL PROBLEMS

The limitations and obstacles cited undoubtedly detracted from the effectiveness of planning, and can only be overcome by decisions taken in the countries themselves and by the progressive improvement of planning machinery. It should be noted, however, that the implementation of Latin America's development plans has been hampered and is still being hampered by serious obstacles created by the evolution of trade and financial transactions with countries outside the region.

These obstacles are known as "exogenous" factors, not only because they are largely beyond the country's control or because they arise from new circumstances which could not have been predicted when the plans were being formulated, but in particular, because they alter the economic context in which the plans must be implemented.

A review of recent trends makes this situation quite clear. In the short space of time that has elapsed since planning activities first began to gain ground, several important factors have assumed considerable significance: the insufficient and unstable growth of exports, external debt commitments, the need to replenish gold and foreign exchange reserves, and -- as a result of those factors -- the irregular trend of imports and the urgency of a policy of import restriction.

### 1. Export trends

Exports expanded irregularly, as shown by the fact that the annual growth rates in terms of volume fluctuated between a high of 9.2 per cent in 1962 and a low of 2.2 per cent in 1964, while the figure for 1966 was 4 per cent. These averages for the region as a whole, reflect occasional violent fluctuations in certain countries resulting in sharp reductions in absolute terms.

Export trends in terms of current prices have been somewhat steadier. Nevertheless, thus far in the sixties, Latin America has lost a substantial proportion of its share in world trade. The sharpest drop was in its contribution to total United States imports -- from about 21 per cent in the three-year period 1960-62 to less than 16 per cent in 1966 -- but there

/was also

was also marked reduction in its share of imports by the European Economic Community (from 6 to 5.5 per cent) and the European Free Trade Association (from 5.4 to 4.2 per cent). These decreases have not been offset by the substantial increase in intra-Latin American trade.

The recent trends were influenced by structural and institutional factors created by the preponderance of primary commodities in Latin American exports and their scant diversification, and by the limitations, obstacles and adverse conditions which continue to affect world trade. Although the problem may arise in part from the shortcomings of national export promotion policies, serious imbalances are expected to develop, judging from projections of the future value of exports on the basis of trends over the past fifteen years and compared with the potential demand for imports. In the circumstances, by 1975 the trade deficit might well range from 4,600 to 5,500 million dollars at 1960 prices. This huge deficit will be further inflated by the sums required to finance outflows in the form of amortization, interest and profits, with the result that it would become impossible to obtain new inflows of foreign capital.

## 2. External debt

The gross inflow of foreign capital has reached high levels and increased rapidly in the present decade, as shown by the fact that the public external debt for the whole region rose from 6,100 million dollars in 1960 to over 12,000 million dollars in 1966.

This is not reflected in an equally large net contribution to Latin American development financing. On the contrary, net external financing - defined here as the balance on current account - has fallen off considerably as a result of debt commitments: from 1,100 million dollars in 1961 it rose to its peak (1,230 million) in 1962, declined steeply to 500 million dollars in 1965 and recovered only partially in 1966 (950 million dollars). Variables which are strategic in the implementation of plans have not only shown a negative trend, but have fluctuated very widely.

The critical situation in some countries has prompted Governments to renegotiate the cumulative debt, consolidating and reconverting loans to mitigate the immediate effects on the balance of payments. However,

/considerable progress

considerable progress has been made in extending the scope of external financing to other fields of economic activity and in obtaining more favourable terms, although the interest rates on some foreign loans have increased in the last two years.

In addition, loans are generally repayable over a very short period. A balance sheet of the position at 31 December 1964 shows that in accordance with the original repayment periods the debt was made up as follows: 18 per cent repayable in less than five years, 28 per cent in five to ten years and 54 per cent over more than ten years. But the repayment periods applicable at that time reflected a critical position: 47 per cent of the total debt had to be paid off in the next five years, 24 per cent in five to ten years, and 29 per cent over more than ten years.

### 3. Other factors

Other factors have further reduced the already feeble effect of the growth of exports on real import capacity: one was the need to build up international reserves to a reasonable level in the last few years. Latin America's gross gold and foreign exchange holdings in 1960 amounted to 3,000 million dollars, but dropped sharply to 2,200 million dollars in 1962; a subsequent recovery brought them up to 3,200 million dollars in 1965. In other words, 1,000 million dollars were used to build up reserves during those three years. Moreover, monetary liabilities, including balance-of-payments loans, were cut by 500 million dollars over the same period. In short, this meant a total reduction of 1,500 million dollars in the purchasing power of exports between 1962 and 1965.

The evolution of the terms of trade has had a similar effect. Although the trend has not been particularly unfavourable during the sixties, the losses due to the deterioration in the terms of trade since 1960 amount to roughly 1,000 million dollars for the region as a whole. Some countries have suffered more than others, Venezuela's losses amounting to 1,800 million dollars and Brazil's 500 million during the same period.

#### 4. Import trends

The above factors described account for the irregular trend of imports, and in some cases have necessitated a policy of import restrictions. This weakened the possibility of increasing supplies that were urgently needed for the implementation of development policy and plans.

The value of imports of goods and services in 1966 was practically the same as the value of exports: about 8,600 million dollars. Not until 1964 did Latin America reach the 1957 level of imports (some 9,300 million dollars). It is even more significant that in recent years imports expanded more slowly than exports, the trade surplus being as high as 1,200 million dollars in 1966. In fact, exports amounted to about 12,000 million dollars, compared with 10,760 million dollars for imports of goods and services.

### III. CONCLUSIONS

Like every process, planning must be developed and improved. Thus far Latin America has gone through the first stage; it has established planning agencies, prepared a variety of plans, worked out consistent development policies with some success, allocated public resources more systematically, trained a large group of professionals in new techniques locally and accumulated a fund of valuable experience. At the same time, it has encountered limitations and obstacles including general lack of political support for planning, inadequate overall development strategies, absence of effective co-ordination between policy and operational machinery and other more specific drawbacks.

Measures to overcome those limitations and obstacles would represent a second stage of planning in Latin America, in which development plans would be better formulated and above all more efficiently carried out. Some conclusions from the foregoing analysis might usefully be analysed by national agencies and the competent foreign financial and technical co-operation organs.

#### 1. National planning machinery

(a) The planning systems thus far developed should be completed by renewed efforts in many areas and, in particular, by:

(i) establishing a closer relationship between overall guidelines and short-term operational machinery, preferably by drawing up annual plans of operation incorporating decisions to mobilize and allocate resources and implementing detailed economic policy;

(ii) supplementing the process of formulating and implementing plans by that of periodic evaluation of results and establishing appropriate organs for that purpose.

(b) Planning systems should be brought into line with long and short-term development priorities through action to co-ordinate national planning with:

(i) Latin America's economic integration aims;

(ii) through action to relate planning with the assimilation of new techniques, employment and training, income distribution and improvement of living conditions;

/(iii) through



(iii) through action to relate planning with anti-inflationary measures.

(c) Stronger co-ordination should be established between planning agencies and the political authorities, the national administration and the private sector by:

(i) Carefully reviewing the relations between planning offices and top-level national authorities;

(ii) Ensuring that administrative reform programmes allow for proper co-ordination between planning bodies and the general, sectoral or regional decision-making centres;

(iii) Establishing or improving existing channels of communication with the various representative bodies of the private sector (political parties, trade unions, entrepreneurs' associations, etc.).

(d) Further research should be carried out to discover the most effective technical means of implementing the various planning activities. The following questions should be urgently considered:

(i) Methods and techniques for preparing annual plans (including such instruments as the national economic budget);

(ii) Methods and techniques for evaluating and supervising the implementation of plans;

(iii) Methods and techniques formulating development policy with due regard for maximum utilization of human resources, the economic integration of Latin America, the redistribution of income and a reasonable allocation of resources between social and economic objectives.

(e) It is imperative to improve data-gathering and data-processing so that reliable statistics and other data will be readily available for the preparation of plans and the supervision of their execution. To that end:

(i) The offices which collect, tabulate and publish information should be given greater autonomy and provided with additional staff and technical resources;

(ii) Basic programmes of urgently needed information should be prepared for priority action in order to ensure a steady flow of up-to-date data;

(iii) Machinery should be devised and put into operation for providing information on progress achieved in implementing plans.

2. External technical and financial co-operation <sup>10/</sup>

(a) Technical co-operation from international and other external sources in national planning activities should be encouraged. The need for such co-operation is greater than ever at the present stage, especially in the following areas:

(i) The study and dissemination of the methods and techniques referred to above;

(ii) The training of technical personnel in performing their present functions as well as those likely to become more important in the near future (annual plans, evaluation and supervision, etc.);

(iii) The exchange of experience between planning agencies in the various countries of the region.

(b) The provision of technical information and specific projections concerning the following questions should be systematically co-ordinated:

(i) The economic growth of the various Latin American countries;

(ii) World market prospects, by groups of products and by specific products;

(iii) Estimates of the developing countries' external financing resources and needs.

(c) External financing has exerted a profound influence on national planning activities. It is therefore essential to continue the progress already achieved in the following ways:

(i) By financing programmes of concerted action in many different fields, and, in particular, by replacing the old system of project financing by a new system which will ensure the overall financing of development plans and supplementary and compensatory financing needs on suitable terms.

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<sup>10/</sup> The following conclusions contain no reference to foreign trade despite its importance in the execution of Latin America's development plans, in order to avoid raising issues of world economic policy.

(ii) By extending amortization periods and lowering interest rates on foreign loans;

(iii) By allocating resources more flexibly, so that they are not made contingent upon the imported content of investments and can cover local costs;

(iv) By more flexible use of external financing with a view to eliminating the conditions attached;

(v) By financial support for national and international planning agencies.

