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A CRITICAL APPROACH TO PLANNING IN LATIN AMERICA \*

by

Ricardo Cibotti and Oscar Julián Bardeci

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/1. Introduction

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## 1. Introduction

To consider making, at the present stage, an analysis of planning in Latin America is, in a sense, to plunge into a conflict between form and external reality - as a concept and a discipline, and the actual circumstances in which it is carried on.

There is no doubt that, conceptually, planning is generally accepted as a useful instrument for the allocation of resources and the formulation of economic policy. There are virtually no countries in Latin America that have not set up planning machinery at the highest levels of the public administration. Acceptance of planning stems from the conviction that it is necessary to apply the method of planning to public activities in order to improve the machinery of decision-making, and from the fact that all Latin American Governments, without exception, feel it is their duty to guide and direct the economic and social development of their countries. While the form this intervention takes differs in each individual case, the fact is that even the laissez-faire groups see the need in certain circumstances for deliberate intervention in the economic process. Hence, planning has become a rational requirement for forecasting economic events, choosing among the various alternatives for action, seeking the greatest productivity in the allocation of resources, and so forth.

The sharp division of opinion that occurred in Latin America at the beginning of the 1950s, when planning was considered the enemy of free enterprise, has become less marked as the years have gone by; so much so that today only a very few groups believe that it jeopardizes the optimum allocation of resources which they presume to come from the free play of the market forces. The spread of planning after the Second World War in countries with quite different political and ideological approaches did a great deal to smooth out the differences between the two opposing sides. Very few people still believe that the market forces should be allowed free play in the developing countries.

/Proof of

Proof of this is the formal establishment of planning systems, the creation and operation of international agencies that demand the formulation of plans as a pre-condition for responding to requests from countries, and in general the preferential treatment accorded planning at the academic level in universities and research centres.

Nevertheless, it must be recognized that plans are only being partially implemented; that there is talk of a "crisis in planning" and of a loss of prestige by the planning agencies operating within the public administration; and that, in general, there is some degree of scepticism regarding the practical utility of plans.

This contradiction stems from the fact that, while the idea of planning has taken root in Latin America, planning is losing ground as an effective tool for practical action. One of the main aims of the present paper is to endeavour to show the reasons for this contradiction. For this purpose, it will analyse the conditions under which planning began in Latin America, how planning has actually been carried and what effect this has had on the development of planning, and, lastly, consideration will be given to the prospects for planning in the immediate future.

This is a vast subject and it can be approached from several different standpoints, which emphasize many important elements and aspects involved in the process of planning. There are a number of documents on the subject which provide valuable information on the development of planning in the Latin American countries.<sup>1/</sup> Some of these, which are published periodically, describe the types of plan formulated, their basic aims, their coverage and, generally speaking, their individual characteristics. This paper will not go over the same ground, but will provide supplementary information and draw attention to certain points which bring out the features of planning more clearly in terms of the contradiction noted above.

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<sup>1/</sup> See Discusiones sobre planificación. Textos del ILPES. (México, Editorial Siglo XXI, 1966), a number of ECLA documents submitted to meetings of the Commission, the annual reports of the Inter-American Committee on the Alliance for Progress (CIAP) to the Inter-American Economic and Social Council, and other similar documents.

The comments made in the following pages do not stem from the kind of systematic and detailed research which needs to be done on this subject. Nevertheless, from an observation of the operation of planning systems and the comments made as a result of the experience acquired in this field, it is possible to put forward some views and proposals that should be of use in developing criteria for increasing the effectiveness of the planning process in the Latin American countries.

## 2. The conditions in which planning began

Twelve Latin American countries established planning offices between 1950 and 1960, two before 1950 and six between 1961 and 1963.<sup>2/</sup> These offices approached planning in an integrated manner on the basis of over-all macroeconomic criteria, and in many cases they even succeeded in covering sectoral aspects. Their efforts had been preceded by partial forms of planning, specifically related to various types of infrastructure - transport networks, the supply and distribution of power and, in general, those public services which by their nature take a long time to install or to bring a return on the capital invested, or consist of systems whose expansion requires long-term forecasts of demand.

Leaving aside these first partial attempts at planning, it can be said that planning in Latin America - as a method that helps to improve the decision-making process - emerges when governments have to face a new set of economic policy problems raised by structural conditions and economic fluctuations. Such problems arise out of the need to act upon the economic systems, since the market is no longer considered the sole or main factor in decisions regarding the allocation of resources.

In the European countries and the United States, the crisis of 1930 made it necessary to take a new look at economic facts and the first very informal attempts were made at planning under the stimulus of the urgent need, imposed by circumstances, to reduce unemployment and re-activate the

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<sup>2/</sup> Data from ECLA, "Planning in Latin America", Economic Bulletin for Latin America, vol. XII, No. 2 (October 1967), pp. 1-17.

/economy. After

economy. After the Second World War, the need for reconstruction made it necessary to place planning on a formal footing, both as regards its institutional and administrative aspects and as regards plan formulation. Noteworthy in this connexion were the planning efforts made by the Netherlands, France, Italy, Norway, et al., towards the end of the 1940s. In the socialist world, where planning is an integral part of the socio-political system, the Soviet Union first began to plan in 1928 and was subsequently followed by the eastern European countries.

There is, however, an important difference between planning in Europe and planning in Latin America. While the Latin American countries did not have to deal with the destruction wrought by the Second World War, they did have to tackle other no less critical problems. During the 1950s, what was termed the period of outward-directed growth lost its impetus, the rate of capital inflows did not recover and the symptoms of the decline in the capacity to import became chronic, especially after the Korean war. Hence, planning began in Latin America when there was recognition of the need for government intervention to direct the economic process and of the need to accept certain types of policy to offset the loss of the capacity of external trade to provide the impetus for economic activity. Clearly, the problem of reconstructing a country is very different from that involved in switching over to a new pattern of development because the previous pattern had outlived its usefulness; it was necessary to start from extremely low levels of income, for, with the exception of the countries in the southern portion of the continent, average annual per capita income in Latin America was less than 250 dollars.

From 1948 onwards, ECLA took on the task of working out a coherent interpretation of economic development, demonstrating the non-viability of the period of outward-directed growth, and laying the basis for inward-directed growth; and for this purpose it stressed the need for import substitution, the promotion of industrial growth, and increasing agricultural productivity and production, and identified the structural changes that were needed, assigning a substantive role to planning as the instrument for the achievement of these objectives.

### 3. Planning and the political environment

Planning machinery was established in terms of the circumstances and conditions noted above, and also in terms of the individual political and administrative characteristics of the countries of the region.

A number of political and interest groups did not agree, or only half agreed, that outward-directed growth was not viable. Hence, they promoted or supported only those economic policy measures that benefited or did not affect their own interests and did not jeopardize their privileged position within the system. They sang the praises of the previous period and tried to return to it, using the tools that interventionism placed at their disposal. Once planning came to this kind of environment, these groups opposed it because of the "ideological" content of the changes involved in transforming the economic structure and equipping it to meet the new conditions of development.

It can be said, therefore, that the planning systems established in the region were not the result of a series of events which inspired the political leaders with a firm determination to adopt planning, both as rational method and in its essence, i.e., programming, as the means of solving the problems inherent in economic development. In other words, its history in western Europe made planning something worth imitating; but at the same time it was considered dangerous in Latin America because it involved transformation and change.

To make the above remarks a little clearer, it should be borne in mind that, before planning received definitive approval in the Charter of Punta del Este, it had been accepted by some countries when they were facing a crisis as a result of a drop in the price of their major export commodity, or serious bottlenecks in the supply of inputs required by most manufacturers, or a fiscal deficit or inflationary trends. Planners considered such phenomena to be symptoms of much graver problems rooted in the structure of the economic system, which were reflected in the lack of economic dynamism and in the decline or stagnation of agricultural production, the slow pace of industrial development, the institutional forms of rural ownership, etc.

/Around this

Around this complex of problems and the methods of tackling them there arose a certain amount of misunderstanding between the planner and the politician which weakened the possibilities for the kind of constructive dialogue that would help to transform planning into a tool of the economic policy-making process.

The circumstances surrounding relations between the planner and the politician are inherently complicated, and to judge them properly a detailed analysis of what has happened in each country would be required; but this is outside the scope of the present paper. Nevertheless, from observation of what has occurred in many cases as planning became more widespread, it is possible to pick out some aspects that have led to a series of difficulties arising out of differences in approach and in appreciation of the urgency of the need to apply certain measures.

Generally speaking, the planner put forward a set of solutions based on a structuralist conception of development that did not offer any immediate cure for the symptoms which were of concern to the politician. The planner's approach went to the root of the problems and involved necessary changes in the pattern of development. From the standpoint of the politician, this had the disadvantage of not providing a rapid cure for critical situations, moreover, the planner's proposals for change struck at the interests of the dominant groups, thus further aggravating the politician's difficulties.

While the above is a valid criticism of the behaviour of the planner, it is, however, not the whole story. The heart of the problem is directly related to the features of the Latin American environment, whose effects are felt in planning even when the recommendations for planned action reach the politician at the right time.

One of the essential features of the Latin American political environment is its instability, and this means that governments have to use up a great deal of their capacity for manoeuvre in securing the support of the main pressure groups. Owing to this weakness, it is frequently necessary to use certain economic policy instruments as a crutch in order to gain political support, with a view to securing a minimum degree of /stability. Hence,

stability. Hence, the economic measures needed to achieve the objectives set in plans often have no teeth when they are applied because budgets, fiscal policy, the level of public employment, tariffs, wages, prices, and so forth, reflect the concessions that have had to be made to certain power centres. This destroys the coherent scheme built into the plan by the planner to ensure that instruments and objectives are compatible.

Another factor which led to some degree of division between the politician and the planner was the fact that the planner sometimes had too technical an attitude. This made it difficult for the politician to understand or comprehend him and, led the planner to simplify - and at times to over-simplify - his interpretation of the socio-political circumstances of countries so that it would fit in with his projection models, and to underestimate the importance of immediate and transitory factors in medium-term planning.

In some cases, it also happened that planning was agreed to only in order to obtain the external resources needed to undertake certain projects, but this reflected only a passing interest in planning proper. The idea of using planning more widely for all the other objectives of a more integrated approach was considered a restriction on the decision-making capacity of the political authorities. This may perhaps have been because the politician did not present a clear enough formulation of the objectives he wished to see incorporated in the plan and, lacking a clear definition, the planner introduced his own ideas. The greater the difference between the plan and the politician's objectives the greater the division between the planner and the politician.

Even after the Charter of Punta del Este, in which planning was recommended and adopted as an instrument for the allocation of resources and for designing economic policy, and in which structural change was recognized as one of the purposes of planning, plans and planning systems languished, gradually becoming more and more isolated from the decision-making centres and hence losing prestige in the public administration.

#### 4. Planning and the bureaucracy

In addition to what has been said above regarding the division between the planner and the politician, there were also sound misunderstandings between the planners and the bureaucrats. When it was established, the planning machinery was generally placed at the apex of the bureaucratic pyramid: the central planning offices close to the Office of the President of the Republic and the sectoral offices close to the relevant ministers or the top executives of public corporations. The basic function of planning is to advise the executive authority, and for this purpose it has its own rationale, which derive from the nature of programming. The public administration also has its own rationale and its way of doing things, and is often committed to certain types of solution that follow traditional courses of action. There is no reason why the rationale of the public administration should coincide with that of planning, since planning in the final analysis puts forward changes in the objectives of policy and public action and looks at efficiency in terms of the new objectives. It is hardly surprising, then, that the net result is a confrontation between planning and the bureaucracy. This has taken many different forms, many of which are still in evidence and clog the wheels of the planning machinery and impede plan implementation.

The planning machinery was not made an integral part of the machinery of the public administration but rather was superimposed upon it, with functional links to its highest levels. The planners began to carry out research and studies that required the public administration to provide a massive flow of data and information that was not part of the administration's day-to-day work and generally came from the intermediate strata of the bureaucracy. On many occasions, the information requested was supplied without the administration first knowing for whom it was destined and the use to which it was to be put, which gave the suppliers of information an extra burden of work that they considered superfluous and unnecessary.

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Furthermore, the planning offices often underestimated the difficulties involved in solving problems which had already been studied by the public administration, because they did not pay due regard to underlying political, administrative and technical conditions. Particularly in the early stages, there was a tendency for some central planning offices to usurp the power of decision-making held by the public agencies within their respective spheres of competence and to impose solutions or methods different from those advocated by the senior officials of the agencies. Given that there was but limited political support for planning, this attitude only helped to weaken the position of planning generally.

It should also be remembered that planning used new techniques that were not well known in bureaucratic circles and that in many cases did not fit in with the bureaucracy's traditional routines, and this engendered resistance that often hampered the spread of the ways and means of deciding upon and giving effect to the principles embodied in the plans. Given this resistance on the part of the bureaucracy, planners adopted a position of self-sufficiency, considering that they were in a superior position because they manipulated a number of technical instruments. Planners were not exactly over-modest, and this made dialogue difficult and jeopardized the possibility of speeding up changes in the public administration. This problem is being overcome in many countries, since the continuity of planning work has gradually improved the links between planners and public officials. Added to this is the trend for staff with a higher level of technical training to join certain levels of the administration and for management posts in many public agencies to be held by professionals who were formerly part of the technical staff of planning offices.

It can reasonably be said that one of planning's positive achievements in Latin America has been to bring methods, techniques and procedures to the decision-making centres of the public administration that without doubt have improved the policy measures which the administration is responsible for preparing.

### 5. Unity of the planning process

The previous sections summarize the principal circumstances which conditioned planning processes in Latin America and which explain some of their characteristics. Attention will now be turned to a different type of analysis which is more closely linked with the way in which planning has operated, and some observations will be presented concerning the unity of that process, the methods of making a diagnosis, the "feasibility area" of plans, and their implementation.

Planning implies unity over time for the establishment of aims and the choice of objectives and targets relating to three major periods, which give rise to long-, medium- and short-term plans. Although, by their nature, these plans differ from each other, none of them can do without the others. It would be difficult to envisage, for example, a medium-term plan whose content was not essentially based on a long-range view, i.e., on an image of the country in the future and a strategy for reaching it. It is therefore the medium-term plan which offers the greatest advantages in terms of factors determining possible courses of action to make the long-range image materialize. Similarly, short-term plans and annual operational plans are really instruments for handling economic policy so that the trends resulting from day-to-day decisions will coincide with medium-term trends.

These comments on the three types of plans are explained by the need to introduce structural changes, which must be an essential aim of planning in developing countries. It would be pointless to look at the three planning periods as a simple unit if planning were merely an attempt to restore cyclic movements or to rationalize the existing state of things in the interests of more efficient operation.

In many of the planning experiments carried out in Latin America, this unity was neglected. Attention was centred on the formulation of medium-term plans, without a really explicit statement of the long-term issues and without due consideration being given to the importance of immediate problems.

Medium-term plans assumed a reasonably satisfactory form, but on the whole they did not reflect a strategy worked out in detail to meet specific situations. In many of them the strategy envisaged the expansion of import  
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substitution industries accompanied by structural reforms. As the aims of the strategies were not specifically stated, they offered only the most tenuous guidelines; thus, in the last analysis, the emphasis in medium-term plans was on the effects of a rise in the rate of growth of the product on the economic sectors, the balance of payments and, in general, the production system. Considerations of a regional character, the definition and design of key projects, proposals for action in the social sphere, etc., were not sufficiently explicit, nor were they put forward in terms of specific action. There was no attempt either to make a careful study of instruments and measures for attaining over-all and sectoral growth targets, which diminished the possibilities of implementing plans. Thus, plan formulation techniques became an end in themselves, instead of being the means of achieving the policy and strategy goals which should have had the firm support of governments and public opinion.

Moreover, the lack of short-term planning caused a cleavage between medium-term planning objectives and economic policy. The role of economic policy was reduced to coping with emergencies, unforeseen contingencies and exogenous needs instead of following the lines of action laid down in the plans.

This is explained by the fact that the agencies wielding the main economic policy instruments have been quite separate from the planning machinery. The central banks, the State financial and credit institutions and the agencies dealing with foreign trade problems co-operate with the central planning offices, furnishing information and raising questions of a general nature, but they seldom identify themselves with the process of plan formulation in such a way as to determine, for example, the content of monetary, exchange, credit and other policies, which evolve from a set of targets and a system of allocation of resources over the medium term. The implementation of a plan in both the public and the private sector implies, inter alia, the regulation of monetary flows which, on reaching the economic agencies, induce them to adopt specific lines of action compatible with the aims of the development plan. If the monetary flows fail to fulfill this role, but are determined by the habits or modus operandi of these institutions, it will be difficult to change the existing

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pattern, despite the rules, regulations and other economic policy measures of the same kind that are formulated in the plans. It must be recognized that when planning objectives include an acceleration in the growth rate, the forces which normally operate on the economic system tend to conflict with the guiding principles of the development plan. If for the aforementioned reasons these guiding principles do not correspond to the deep convictions of the agencies that handle the policy instruments, the efficacy of the planning process will be seriously jeopardized.

#### 6. Characteristics of the diagnosis

It is often said that in many planning processes in Latin America, too much time and too many resources are devoted to diagnosis, at the expense of plan formulation. This criticism has some connexion with the allegation that the planning machinery is not sufficiently active and that planners have a "technocratic" approach to their work; it is affirmed in support of this view that when planners are consulted by those who must implement the policy, it is impossible to get a quick reply and lengthy studies must be made before an answer can be obtained.

There is a certain amount of truth in this, and it would therefore be advisable to give some thought to the matter. When planning was introduced, that is, when methods which relate financial, physical and value added macroeconomic variables began to be used, when attempts were made to analyse the effects of those variables on the economic sectors and vice versa, and when the general trend was to use comparatively novel methods of analysis based strictly on econometrics and projection techniques, the statistical and other data available in most of the Latin American countries were found to be seriously deficient in quantity, in quality and in the frequency of publication. Hence, a large part of the planning process necessarily involved considerable work in connexion with statistics, with the result that these countries now know much more about the operation of the economic system and about many of their basic problems. For example, nearly all the planning processes may be said to have started with the reorganization and reformulation of national accounting statistics and with special surveys in

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the industrial, agricultural, transport and other sectors. The planning systems of many European countries were founded on a basis of reliable statistical data and public agencies capable of dealing with most of the data processing and analysis. In Latin America, however, this task fell to the planning offices, whose staff had to be reinforced with teams of specialists, which also partly explains why these offices are so large compared with their European counterparts.

From a certain standpoint, it might be argued that this provided a means of escape from the necessity of devising rational economic policies, and that the over-emphasis on the study and analysis of the actual situation militated against the basic objective of planning and made it less effective. Nevertheless, the diagnoses and, in general, the analyses of the actual situation have been planning's greatest contribution to development. Planning may be regarded as an expedient for introducing the public administration and the policy-making centres to a type of investigation of the real situation in the country whose fundamental features are accuracy and impartiality. Investigations of this kind were not usually promoted by university or other research centres, and even at best their sphere of influence was limited to academic circles. There is no doubt that today the Latin American countries are concentrating more than they did a few years ago on gaining an insight into their particular problems and situations. This move to uncover the real state of affairs is mainly a consequence of planning, and both in this area and in the formulation of economic policy, there are already several research centres which are making a real contribution to the definition of national problems.

In this respect, diagnoses and planning processes in general may be considered as catalyzing agents in the study of the actual state of affairs in Latin American countries. Their contribution has therefore been invaluable in bringing to light the different types of conflict characterizing these developing societies. Under-development in Latin America has implied open conflict, the general features of which are well known. The situations deriving from it are not considered to be natural developments, but rather "social and cultural circumstances" which could be corrected by the deployment of political forces and rational decisions. The diagnoses, the

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as yet unimplemented plans, and even those formulated with limited objectives that do not go beyond external financing, have helped to bring those circumstances clearly into focus.

There is no doubt, however, that planning only partially satisfied the governments' desire to organize their economic policy realistically having in mind the limitations imposed by the interests at stake. In this connexion, it may be useful to make some comments on the nature of the diagnosis.

This initial stage in the planning process involves acquiring as much knowledge as possible about the real economic and social situation, as a basis for understanding how the economy really operates and evolves. It is important that this should be understood because it is the only way in which the capacity and way of growth of the production system can be evaluated, and it will provide a basis for defining the broad lines of the strategy to which the plans must conform. In the absence of such an understanding, the strategies and plans may become too theoretical and be unrelated to the specific conditions of the economy concerned, thus jeopardizing the application of the measures required to bring about the proposed change.

From the methodological standpoint and in line with the features indicated above, the diagnosis should comprise the following phases:

(a) a systematic description of the historical course of events and of the present state of the economy; (b) an explanation of the factors determining the present situation. On the basis of these two phases it is possible to formulate a theory to explain the real economic situation and the short-, medium- and long-term economic trends; (c) an evaluation of the real situation described and explained (analytical model) which will help to define the essential features of the plans by comparing them with a normative model. The normative model should not be only an ideal based on the experience of the developed countries, or a simple extrapolation of historical trends. It is not possible to deduce any specific guiding principles from the strategy and plans deriving from such a model if the diagnosis is to have practical application.

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In other words, the normative model should correspond to the goal to be attained, an image of the country as it should be in the future, whose essential features - the structure of production, the social organization, the geographical distribution of production, and the nature of the country's external relations - must be fairly well defined. At the same time, like all well-conceived plans, it must be feasible.

In the last analysis, the diagnosis comprises not only an analysis of the past and present situation (analytical model), but also a proposal regarding the aims to be pursued (normative model). It should include technical considerations and also a comprehensive discussion that should not exclude policy issues.

Because the principle of the unity of the planning process, as already mentioned, was not respected in practice, it proved impossible to include certain elements that are inseparable from a sound diagnosis. In many cases, the normative model was never explicitly defined, and was nothing more than a hotchpotch of rudimentary ideas which had not been sufficiently refined.

As a result, the diagnosis lost all the forward-looking character it should have and, except in a few cases, failed to command the support of the various groups or sectors pursuing similar objectives; instead, it was just another report on the state of affairs in the country, when it should have been a study that would make people think about how to deal with the situation.

If the procedure suggested had been adopted, analyses made would have been quite different in type. The research into the operation of the economic agencies and the behaviour of social groups should have been in depth and should have revealed the way in which the pressure groups and decision-making machinery in general actually function. Other forms of research should have been carried out also which, instead of establishing quantified relationships for statistical purposes, would have brought out the intentions and policies underlying them. This would have required at least as much time as the diagnoses, but the planning process would certainly have led to a dialogue with the policy-making circles rather than just the discussion of a few of the public administration's technical /plans. It

plans. It is hard to see how the plans can have an impact on public opinion if no effort had first been made in the diagnoses to indicate the fundamental choices open to the country between different ways of solving its development problems. There is no other way in which planning could have any real effect on the political aspects of the process of change which is inherent in all planning.

#### 7. Feasibility of the plans

Another point that is closely allied to the foregoing is the question of the feasibility of the plans.

The techniques of plan formulation determine whether or not the proposals contained in the plan are compatible with its objectives and also decide the most suitable machinery and instruments for attaining them, thereby achieving a coherence between targets and resources which is one of the conditions of the plan's feasibility. This is not enough in itself, however, since an analysis of this kind is carried out on the basis of assumptions of a socio-political nature which, unless they are explicitly stated and specifically studied, can cause a plan to fail although it has been shown to be feasible by such techniques. If the targets and proposals of a plan are to be successful, they must comply with feasibility criteria which allow not only for problems of a technical nature but also for the limitations imposed by the socio-political climate of the country. This climate affects not only the objectives of the plan but also the kind of instrument that a government is prepared, and able, to use in order to attain those objectives. In many Latin American countries plans have been formulated that entail taking the most drastic steps regarding the ownership of farm land, a reorganization of the tax system and other similar monetary and credit reforms which it has proved impossible to implement owing to the pressure brought to bear on the governments. In some cases, the objectives were more like planners' dreams than the convictions of politicians and executives of public bodies. The latter only paid them lip-service so as to fulfil the requirements that have become a condition of planning since the signing of the Charter of Punta del Este. What has been said above means that, before formulating plans and as the complement of the analyses

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that are carried out to determine the broad lines of the normative model and of the country's future image, the sphere within which the plan is a practical possibility must be clearly defined. This mental exercise is important, not only in planning but also in the political sphere, because it induces the political leaders to define their position vis-à-vis development problems; this is so because their position with regard to these problems is very often a plank in a political platform, which is usually made up of rather vague ideas and aspirations and proposals expressed in very general terms.

Failure to carry out feasibility studies for the plans gives the planner a false impression that he is to formulate ambitious proposals for sweeping structural changes, in utter disregard of the possible reactions of the social groups and interest groups that will be affected by the policies and measures contained in the plans.

This can be extremely dangerous since, when the plan entails applying such measures or proposing reforms, the process which it initiates begins to operate in a very different sphere where the pressures exerted by the interest groups that are affected carry considerable weight. Thus, the formal logic of the plans comes into conflict with the materialism of the interest groups. Whether through Parliament or directly through the Executive or public bodies, a series of compromises then takes place, so that the concrete measures to be applied are decided by a completely haphazard process of bargaining. As a result, the plan as executed bears very little relation to the original plan, which has been completely changed by all the compromises on the programme contained in the plan reached by the various pressure groups operating in the economic and social system. The inescapable conclusion is that unless a proposal is agreed to at the planning stage; it will never be carried out. For this reason there is scarcely ever any point in judging the effectiveness of a plan by comparing the proposed targets with the actual achievements. What should be carefully weighed is how far the nature and methods of the planning process fit the socio-political environment in which it is carried on; in no other way is it possible to reach conclusions about its general or partial applicability.

### 8. Prospects for the planning process

The planning processes in Latin America have so far been analyzed from a critical angle, with the deliberate intent of showing up their principal defects; but this does not mean to say that planning has not been a useful instrument for directing economic policy and speeding up development. On the contrary; and the defects that have been pointed out are a good starting point for a consideration of how the planning process should be reoriented.

In this connexion, the following points are worthy of particular mention:

(a) The planning process must cover three fundamental periods (long-, medium- and short-term), and it is imperative that the planners should devote the same amount of energy and research to strategies, medium-term plans and annual operational plans. Although it is true that the experiments in medium-term planning that have been tried have met with dubious success, that does not mean that this type of planning should be abandoned, since the deficiencies have frequently been due to the fact that there has been no unity in the planning process rather than to any intrinsic fault.

(b) Stress should also be laid on the need to complement and perfect the diagnoses, which should lead to a choice between alternative lines of positive action and the normative model should be explicitly stated and used as a yardstick for evaluating the actual situation and trends.

(c) An effort must be made to fit the planning process into the administrative and political context in which it is to operate. To this end, it is advisable:

(i) To analyze the most salient features of the public administration (e.g. its degree of "feudalization", whether its response to political power is active or passive, and how decisions are adopted and transmitted) so that the structure and work style of the planning system can be designed in consequence;

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- (ii) To deduce or to press for the definition of the most important limits of feasibility within which plans stand a chance of being implemented - limits which are set both by the nature of the objectives and by the kind of methods which the central government is willing to use - with a view to determining the scope of the plans; substantive content.

In addition, although specific reference has not been made to this point earlier in this document because of its nature, it would be very desirable for the planning process to extend to new aspects of the economy as they appear, and give special attention to those problems which cannot be dealt with practically from the point of view of over-all or sectoral planning.

In this connexion, particular attention should be paid to the government production of goods and services. These activities should be studied in two ways: they should be analyzed in relation to the sectors producing the goods services, in which case the appropriate resources and aims should be selected and the means of applying them indicated; they must also be analyzed as a whole, as the product of a specific machine - the public administration - which has its own special characteristics. Given a development strategy and a medium-term global model, it is possible to plot both the evolution of the sectors and a number of requirements for the activities carried out by the country's public bodies according to its institutional structure and the weight carried by the government in the system of production.

Experience has shown that the public sector is not always in a position to meet the above-mentioned requirements within the periods stipulated in the development plans. Thus, problems arise which have an adverse effect on the implementation of the plans, as a result of over-estimating the capacity of the government agencies to adapt and direct their action in line with development policy. In other words, when a medium- or short-term plan is formulated, the situation and capacity and ability of the public administration to carry out that part of the plan which falls within its competence must be specifically analyzed. If this

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is not done, the productive capacity of the State is assumed to be unlimited and perfectly elastic, which is not the case. It should be noted that the limitations derive not only from scarcity of funds or the insufficiency of vital inputs; they are also linked with other questions, such as the operational capacity of the public institutions, their forms of organization, the methods and practices which they generally employ to plan their activities and adopt decisions, etc.

It is logical to suppose that, if development policy constitutes a more or less violent break with the policy that was applied before the introduction of planning, the sort of changes that should be made in the State productive machinery should be studied in depth, so that it may be fully attuned to the new policy. Studies in connexion with the rationalization of the administration and the reform of public bodies should be carried out in the same over-all context. Lastly, the work of planning must include analyses aimed at perfecting the public sector, with a view not only to improving the effective use of resources, but also to providing a means of deciding at what level and in what way the government agencies should operate so as to meet the priorities of the development process.

In this connexion, the orientation of planning, which is now mainly sectoral, should be progressively integrated with another line of action corresponding to the different situations in which the individual regions within a country find themselves. The regional approach to planning is becoming increasingly common and many bodies have been set up to promote the development of areas having special characteristics because of their frontier position, their relative backwardness in relation to the rest of the country or other distinctive features of an economic or geographical nature. However, national planning does not normally take due account of the regional problems or does not accord them the necessary priority, and the planning strategies do not normally make sufficient provision for any action which would go beyond sectoral considerations within the context of a regional framework - a framework which is often taken for granted.

The basic criteria of regional development must be analyzed and put forward for incorporation in national plans so that the country may benefit from every source of growth potential.

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Similarly, by way of example of other types of problems which should be taken more fully into account in the formulation of plans, mention should be made of unemployment and marginality, which are becoming the most obvious symptoms of lack of dynamism in the Latin American economies; manpower training, including training in the special skills required for modern productive processes; the adoption of internal and external measures to increase exports of manufactures; the inclusion of regional integration, in all its aspects, in national economic policy, etc. In addition, greater efforts must be made to ensure that plans are translated, where necessary, into investment projects whose selection and evaluation are in line with the sectoral and regional priorities laid down in the plans. As is well known, lack of projects has not only been a great obstacle to obtaining approval for foreign loans but has also impeded the allocation of resources in areas that are of key importance for national development.

If the planning processes of the near future can be briefly illustrated, there is no doubt that they will tend towards increasing diversification, so as to cover new aspects of development, and ensure that the planning process provides a more solid basis to support each of the multiple facets of economic policy.

Lastly, some consideration should be given to particular types of action which the planning organs of certain countries are adopting. It can be seen that these organs have direct access to the decision-making centres of the public administration, on which they bring pressure to bear to ensure the fulfilment of the fundamental purposes of the plans. For instance, the staff of the central planning offices are members of boards, commissions or working groups concerned with fixing prices and tariffs, exchange rates and customs duties, deciding upon credit operations and the use to be made of foreign exchange, etc. This is a great change from the early days of planning, when planners merely advised on the basic lines to be followed by economic policy. There is no doubt that the present co-operative approach carries with it many advantages if it is used to make planning more effective in practice.

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However, in many cases, these new tasks are carried out to the detriment of analysis and formulation, that is to say that the quality of the systematic and over-all studies and analyses of development problems suffers. When this happens, the actions and the attitudes of the planners in the decision-making centres do not have the logical and consistent basis offered by the broad perspectives of the plan or the criteria it imposes for the definition of policies, with the result that they are dictated by much the same factors and circumstances as those which guide the other public bodies, and these are usually swayed mainly by short-term considerations. It might even be said that there is a danger that the ideas deriving from the planning process will not be reflected in the decisions and consequently of weakening planning in its very essence.

For these reasons, it is necessary that, without neglecting the pressure which planners are now bringing to bear on decision-making, an effort should be made to revitalize plan formulation so that the planners' advice on the use that should be made of the instruments of economic policy may be more soundly based.

## 9. Conclusions

As was pointed out at the beginning of this study, development planning was officially accepted everywhere as a result of the agreements stemming from the Act of Punta del Este. At Punta del Este, the general lines of a development policy were laid down and the machinery for obtaining the external financing which the Latin American countries needed to accelerate their growth was established. That is to say that a very broad understanding was reached since, not only were the chief problems afflicting the region defined, but the structural changes that must be tackled if the national economies were to provide the spur for their own growth were indicated and the supporting role that external aid should play in alleviating the possible effects of a bottleneck in external trade side by side with an increase in the growth rate was defined.

For the mobilization of domestic resources and the changes that were required, planning was necessary, not merely as an instrument for the rationalization of the existing system, but rather as a government

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instrument thanks to which the necessary changes could be carried out as rationally and as quickly as possible. It is unfortunate that, in practice, things have not worked out this way and that planning has generally been used to fulfil the formal conditions for obtaining external credit.

Planning ought to have contributed more effectively to the general and rapid strengthening of the development processes which would lessen and offset the effects of dependence; but the restricted use of planning merely to obtain external financing has had the effect of making the countries more dependent rather than less.

The above is an example of how planning has been relatively little used and only in limited areas. For this reason, it could not be expected to yield better fruit in accelerating growth, since the key to such growth lies in the mobilization of domestic resources and in structural changes rather than in external aid; this does not lessen the importance of the use of external credit for its proper purposes, but it places such aid in its real perspective.

In addition, conditions were not favourable for the definition of fundamental policies in respect of development, such as the role that should be played by foreign investment in capital formation, the types of technology most suited to the characteristics of the different countries, the direction and extent of the redistribution of income or, in general, for any steps towards basic reform of the productive machinery.

If, in the future, the countries make an effort to use planning to establish clear and well-defined development policies with a view to taking the best possible decisions and if they implement these policies vigorously there is no doubt that their economies will be strengthened, and the effectiveness of planning as a government instrument for change will be demonstrated.

Moreover, it is an established fact that the Latin American countries are becoming more and more mixed economies. Government direction of the economy is an undeniable fact; it not only regulates the market, it is

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also directly responsible for parts of the country's production. Hence, governments are faced with a problem of economic policy which they cannot solve effectively unless they adopt as a working tool a method based on a vigorous system of choices between alternative projections of possible results which aims at achieving maximum productivity in the ratio between the means employed and the objective to be attained.

A persistent decline in planning in Latin America is therefore inconceivable; a revitalization of the process is a more likely prophecy. To make this a reality, planning systems must evolve continuously so that they can reflect, and adapt themselves to, the peculiarities of the government and social processes and resolve the conflicts and misunderstandings with the decision-making centres and the public administration already mentioned in this paper.



